

Official Statement

Santa Clara County— El Camino Hospital District Hospital Facilities Authority

Santa Clara County, California

\$5,400,000

Lease Revenue Bonds, 1979 El Camino Hospital Project

(Payment of Interest and Principal
to be Insured by the State of California
under the Health Facility Construction
Loan Insurance Law.)


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Stone & Youngberg Municipal Financing Consultants, Inc., Conference Room,
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**SANTA CLARA COUNTY - EL CAMINO HOSPITAL DISTRICT
HOSPITAL FACILITIES AUTHORITY**

Santa Clara County, California

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SPECIAL SERVICES

Orrick, Herrington, Rowley & Sutcliffe, *San Francisco*
BOND COUNSEL
Stone, Marraccini and Patterson, *San Francisco*
ARCHITECTS
Stone & Youngberg Municipal Financing Consultants, Inc., *San Francisco*
FINANCING CONSULTANTS
United California Bank, *San Francisco*
TRUSTEE

THE DATE OF THIS OFFICIAL STATEMENT IS JULY 5, 1979

DEC 19 2024

SANTA CLARA COUNTY-EL CAMINO HOSPITAL DISTRICT HOSPITAL FACILITIES AUTHORITY
UNIVERSITY OF CALIFORNIA

TO WHOM IT MAY CONCERN:

The purpose of this Official Statement is to supply information to prospective bidders on, and buyers of, \$5,400,000 principal amount of the Santa Clara County-El Camino Hospital District Hospital Facilities Authority Lease Revenue Bonds, 1979 El Camino Hospital Project (the "Bonds"), proposed to be issued by the Santa Clara County-El Camino Hospital District Hospital Facilities Authority.

The material contained in this Official Statement was prepared by Stone & Youngberg Municipal Financing Consultants, Inc., in the capacity of financing consultants to the Authority and the El Camino Hospital District (which firm will receive compensation from the Authority contingent upon the sale and delivery of the Bonds).

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The agreements of the Authority with the purchasers of the Bonds are set forth in the Resolution of Issuance. That document will be available to any prospective investor in the Bonds. Reference is hereby made to that document for a complete statement of the rights and obligations of the Authority and holders of the Bonds.

No dealer, broker, salesman or other person has been authorized by the Authority to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The District Controller has reviewed this Official Statement and has determined that as of the date hereof, to the best of his knowledge and belief, the Official Statement does not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. The Authority will deliver to the purchaser of the Bonds a certificate as to the above, dated the date of Bond delivery, and further certifying that the signatory knows of no material adverse change in the condition of the District which would make it unreasonable for the purchaser of the Bonds to rely upon the Official Statement in connection with the resale of the Bonds, and authorizing the purchaser of the Bonds to distribute copies of the Official Statement in connection with the resale of the Bonds. 300 copies of the Official Statement will be supplied to the purchaser of the Bonds for this purpose.

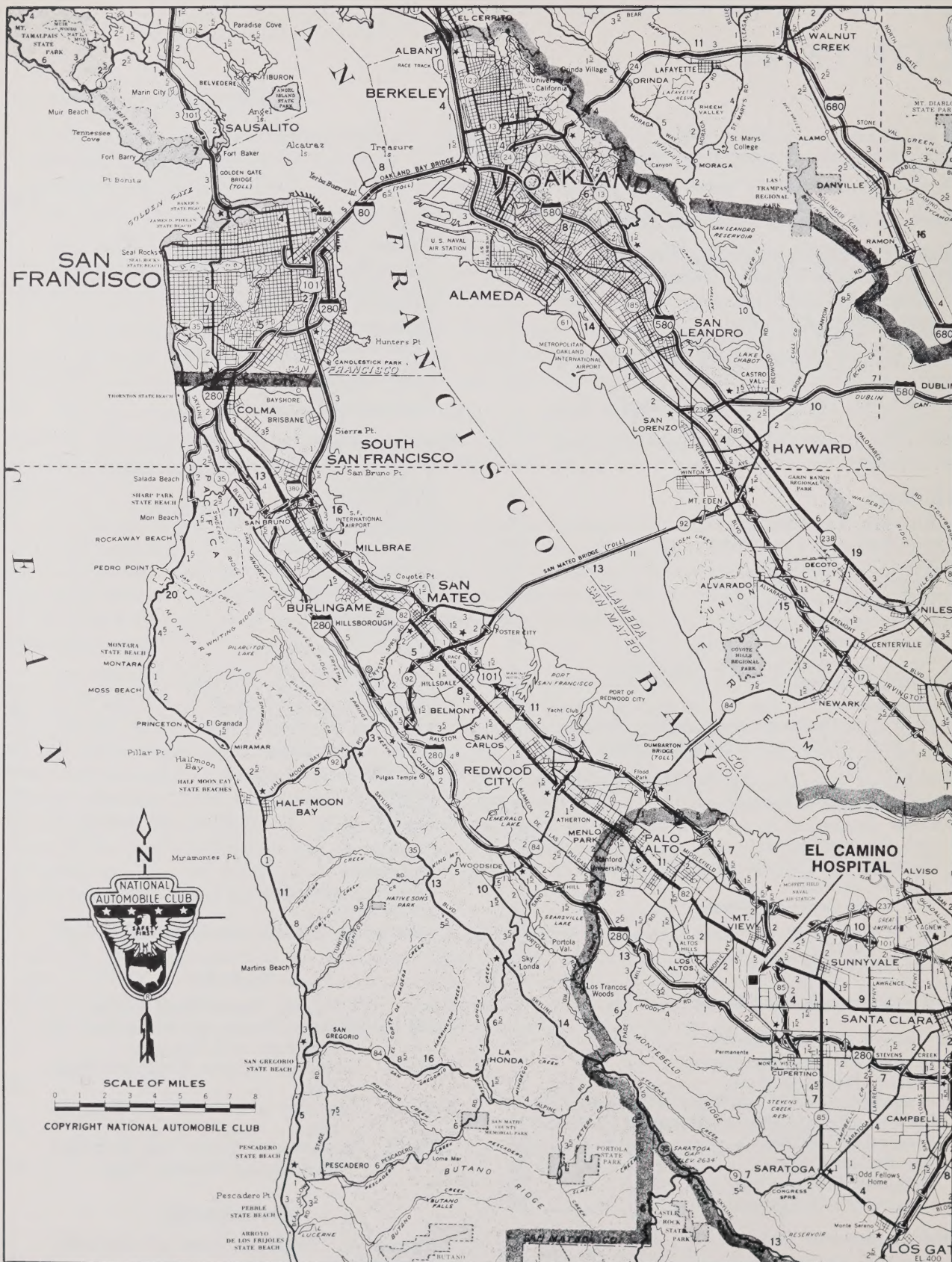
The opinion of Orrick, Herrington, Rowley & Sutcliffe, San Francisco, California, Bond Counsel to the Authority, will be furnished to the successful bidder (see the section entitled "Legal Opinion" herein). The scope of Bond Counsel's employment in connection with the review of this Official Statement has been limited to reviewing the statements of law and legal conclusions set forth herein under the sections titled "Santa Clara County-El Camino Hospital District Hospital Facilities Authority" and "The Bonds".

July 5, 1979

SANTA CLARA COUNTY-EL CAMINO
HOSPITAL DISTRICT HOSPITAL
FACILITIES AUTHORITY

CONTENTS

| | Page | | Page |
|---|------|---|------|
| Summary of Essential Facts and Estimates . . . | 1 | Large Taxpayers | 31 |
| Santa Clara County-El Camino Hospital | | District Financial Records | 31 |
| District Hospital Facilities Authority | 3 | Operating and Capital Budgets | 31 |
| Organization and Membership | 3 | Fund Balances | 32 |
| Joint Powers Agreement | 3 | Revenues and Expenditures | 32 |
| Certain Powers of the Authority | 3 | Insurance Coverage | 34 |
| Financing Procedures and Basic Legal Docu- ments | 4 | Labor Relations | 34 |
| Site Lease (1979 El Camino Hospital Proj- ect) | 5 | Pension Plan | 34 |
| Facility Lease (1979 El Camino Hospital Project) | 5 | Lease Obligations | 34 |
| The Bonds | 8 | Outstanding Bonded Debt | 34 |
| Authority for Issuance | 8 | The District and Its Economy | 37 |
| Accompanying Documents | 8 | Population and Social Characteristics | 37 |
| Sale of the Bonds | 8 | Employment | 39 |
| Description of the Bonds | 8 | District Employment and Industry | 42 |
| Redemption Provisions | 8 | Industrial Parks | 43 |
| Notice of Redemption | 9 | New Construction | 43 |
| Trustee and Paying Agents | 9 | Commerce | 43 |
| Form, Denomination, and Registration | 9 | Financial Institutions | 45 |
| CUSIP Numbers | 9 | Transportation | 46 |
| Litigation | 9 | Education | 46 |
| 1978 Constitutional Amendment, Supreme Court Validation, and Implementing Leg- islation | 9 | City of Mountain View | 47 |
| Proposed Constitutional Initiative Limiting Governmental Spending | 10 | City of Sunnyvale | 47 |
| Legal Opinion | 11 | City of Los Altos | 48 |
| Tax Exempt Status | 11 | Town of Los Altos Hills | 48 |
| Eligibility for Deposits of Public Moneys | 11 | Santa Clara County | 48 |
| Purpose of Issue | 11 | County Government | 49 |
| Additional Series of Bonds | 11 | Population | 49 |
| Security | 12 | Income | 49 |
| State Insurance | 12 | Industry | 49 |
| The Resolution | 13 | Taxable Sales | 50 |
| Estimated Annual Bond Service | 19 | Construction | 51 |
| El Camino Hospital District | 21 | Agriculture | 51 |
| Existing Facilities and History | 21 | Foreign Trade Zone | 52 |
| Selected Statistical Data | 22 | Utility Services | 52 |
| Professional and Educational Affiliations | 24 | Community Facilities and Recreation | 52 |
| Factors Affecting District Revenues | 24 | TABLES | |
| Competing Facilities | 25 | Table 1. Estimated Annual Bond Service | 19 |
| The Project Phase I | 25 | Table 2. Project Phase I—Projection of Revenues and Expenses | 28 |
| Estimated Project Costs | 28 | Table 3. Estimated Project Cost and Bond Issue | 28 |
| Contractor's Obligations | 28 | Table 4. Summary of Revenues and Expendi- tures | 33 |
| District Financial Data | 29 | Table 5. Statement of Direct and Estimated Overlapping Bonded Debt | 35 |
| Assessed Valuations | 29 | APPENDICES | |
| Tax Rates | 30 | Appendix A. Proposed form of approving legal opinion | 53 |
| Tax Rate Areas | 30 | Appendix B. District Financial Statements and Report on Audit—Fiscal Year Ended June 30, 1978 | 57 |
| Tax Levies, Collections and Delinquencies | 30 | | |



Vicinity map showing location of the El Camino Hospital in the San Francisco Bay Area. A map of the District appears on page 20.

SUMMMARY OF ESSENTIAL FACTS AND ESTIMATES
SANTA CLARA COUNTY - EL CAMINO HOSPITAL DISTRICT
HOSPITAL FACILITIES AUTHORITY

\$5,400,000 LEASE REVENUE BONDS, 1979 EL CAMINO HOSPITAL PROJECT

Issuer and Authority for Issuance: Santa Clara County-El Camino Hospital District Hospital Facilities Authority, pursuant to the provisions of the California Government Code (Article 2, Chapter 5, Division 7, Title 1, Section 6540, et seq.).

Purpose of Issue: Finance the construction of an artificial kidney unit building ("Project Phase I") on a portion of the grounds of the existing El Camino Hospital.

Issue of Bonds: \$5,400,000 principal amount of the Authority's 1979 Bonds, dated August 1, 1979 and maturing on February 1 as follows:

| Maturity Date Feb. 1 | Principal Amount | Maturity Date Feb. 1 | Principal Amount |
|-------------------------|------------------|-------------------------|------------------|
| 1982 ... | \$ 85,000 | 1995 ... | \$205,000 |
| 1983 ... | 90,000 | 1996 ... | 220,000 |
| 1984 ... | 100,000 | 1997 ... | 235,000 |
| 1985 ... | 105,000 | 1998 ... | 250,000 |
| 1986 ... | 110,000 | 1999 ... | 270,000 |
| 1987 ... | 120,000 | 2000 ... | 290,000 |
| 1988 ... | 130,000 | 2001 ... | 310,000 |
| 1989 ... | 135,000 | 2002 ... | 330,000 |
| 1990 ... | 145,000 | 2003 ... | 355,000 |
| 1991 ... | 155,000 | 2004 ... | 380,000 |
| 1992 ... | 170,000 | 2005 ... | 405,000 |
| 1993 ... | 180,000 | 2006 ... | 435,000 |
| 1994 ... | 190,000 | | |

Interest: Maximum rate not to exceed 8 percent per annum, payable for the first year on August 1, 1980 and semiannually thereafter on each succeeding February 1 and August 1.

Time and Place of Sale: Wednesday, August 1, 1979 at 10:00 A.M. at the Conference Room of Stone & Youngberg Municipal Financing Consultants, Inc., Suite 2750, One California Street, San Francisco, California.

Payment and Registration: Interest and principal payable at the principal office of United California Bank in San Francisco, California (the Trustee), or in the case of coupon bonds also at the principal

offices of paying agents in Chicago, Illinois or New York, New York.

Call Provisions: All 1979 Bonds callable from proceeds of insurance or eminent domain on any date without premium. 1979 Bonds maturing on or before February 1, 1994 not otherwise callable. 1979 Bonds maturing on and after February 1, 1995 also callable on any interest payment date on or after February 1, 1990 at a maximum premium of 3 percent and at lesser premiums in certain subsequent years as specified in the Resolution of Issuance.

Tax Exemption: In the opinion of Bond Counsel, interest on the 1979 Bonds is exempt from all present federal and State of California personal income taxes.

Eligibility for Deposits of Public Monies: In the opinion of the Attorney General of the State of California (50 Cal. Ops. Atty. Gen. 1), bonds of joint powers authorities are eligible to secure deposits of public funds in California.

Legal Opinion: Orrick, Herrington, Rowley & Sutcliffe, San Francisco.

Security: Payment of 1979 Bond interest and principal secured by a first charge upon El Camino Hospital District base rental payments to the Authority. Rental payments are a general fund obligation and the District covenants to budget and appropriate necessary funds each year. The 1979 Bonds do not constitute a debt, liability or obligation of the District or the County of Santa Clara.

Additional security is to be provided under the California Health Facility Construction Loan Insurance Law (commencing with Section 436 of the California Health and Safety Code), pursuant to which the State of California may issue substitute debentures for the Bonds, which shall be "fully and unconditionally guaranteed as to principal and interest by the State of California" (as stated in said law) in the event the Authority defaults on the payment of principal or interest on the Bonds. Alternatively, the State may cure the default by paying delinquent principal and/or interest, or may assume control of, and operate, the District's health care facilities.

District's estimated annual base rental obligation for Project Phase I of \$463,600 payable in semi-annual installments beginning July 15, 1981 and January 15, 1982 and each subsequent July 15 and January 15 through January 15, 2006 is anticipated to be met from revenues generated by the health-care facilities operated by the District.

The base rental is based on the following assumptions: (1) actual Project Phase I construction costs as bid, (2) an estimated bid of averaging 7 per cent per annum interest rate on 1979 Bonds issued to finance the construction of Project Phase I, (3) funded interest during and for approximately two months beyond the expected completion date of Project Phase I, and (4) the funding of a reserve equal to estimated one-quarter maximum annual debt service.

Based on the most recent audit of District financial statements (year ending June 30, 1978) net revenues of the District (excluding property tax receipts, general obligation bond service and depreciation) will cover estimated base rental payments by 6.98 times. Unaudited financial statements for the portion of the 1978/79 fiscal year ended June 23, 1979, indicate a coverage of 8.98 times. See "El Camino Hospital District—Factors Affecting District Revenues", page 24, for information regarding potential limitations on the District's ability to make rental payments.

It is anticipated that the Authority will issue lease revenue bonds to finance health care facilities for the County of Santa Clara ("Project Phase II"), but such bonds will be issued to finance improved health care facilities for such County, and will be secured by a separate lease between the Authority and said County.

Other Protective Provisions of the Bonds: (1) Reserve equal to one-quarter maximum annual debt service created from bond proceeds; (2) interest funded from bond proceeds through February 1, 1980, approximately two months beyond the estimated date of occupancy of Project Phase I; (3) completion of Project Phase I is scheduled for approximately seven months prior to the first payment of base rental by the District; (4) firm construction

bids have been received with 100% faithful performance and 100% labor and materialmen's bonds; (5) insurance protection includes fire and extended coverage for not less than full replacement cost of the facilities or sufficient to pay 1979 Bonds, subject to a deductible clause not to exceed the lesser of \$50,000 for any one loss or the amount of available moneys in the Reserve Fund; rental interruption insurance equal to time required to construct the structure plus three months, subject to the lesser of a 30-day deductible or the amount of available moneys in the Reserve Fund; public liability and property damage insurance; and a policy of title insurance in the amount of the 1979 Bonds insuring the Authority's interest in the site upon which Project Phase I is to be located, or the title of the District in such property.

District Financial Data: Five year history shows: (1) increase in net operating revenues (before depreciation) from \$1,289,822 to \$4,163,444 in fiscal year 1978/1979 (unaudited); (2) growth in year ending unrestricted fund balances from \$23,656,433 to \$41,531,173 (June 23, 1979, unaudited); (3) District assessed valuations have increased from \$804,816,808 in 1974/75 to \$1,227,723,072 in 1978/79; and (4) property tax delinquencies have averaged .79 percent of each current levy.

The District: Encompasses 48 square miles in the highly developed San Francisco Peninsula/northern Santa Clara Valley. Approximately 35 miles south of City of San Francisco and 10 miles north of City of San Jose. Over 50 percent of admissions to El Camino Hospital drawn from outside District boundaries.

Total Net Direct and Estimated District Overlapping Bonded Debt (Including the 1979 Bonds, which are not a debt of the District):

| | |
|-------------------------------------|--------------|
| Direct Debt | \$ 6,875,000 |
| Percent of Assessed Valuation | .56% |
| Percent of Full Value | .14% |
| Net Direct and Overlapping Debt ... | \$81,913,784 |
| Percent of Assessed Valuation | 6.67% |
| Percent of Full Value | 1.67% |

ALL OF THE TERMS OF THIS SUMMARY OF ESSENTIAL FACTS AND ESTIMATES ARE SUBJECT TO THIS OFFICIAL STATEMENT AND THE OFFICIAL NOTICE OF SALE OF THE 1979 BONDS.

SANTA CLARA COUNTY-EL CAMINO HOSPITAL DISTRICT HOSPITAL FACILITIES AUTHORITY

Organization and Membership

The Santa Clara County-El Camino Hospital District Hospital Facilities Authority, herein referred to as the "Authority", was formed in March of 1979, as a separate public entity under the provisions of the Government Code of the State of California (commencing with Section 6500). The purpose of the Authority is to assist the El Camino Hospital District (the "District") and the County of Santa Clara (the "County"), California, to finance the acquisition, construction and renovation of buildings and undertake other cooperative activities to better provide hospital services for the benefit of residents of the County and the District.

The Authority functions as an independent entity and its policies are determined by a governing board (the "Board"). Two Board members are appointed by the County, two by the District, and the fifth member is appointed by the other four. One Board member initially selected by the County and the District will each serve for two years, and the other three for four years. Thereafter, members will serve four-year overlapping terms. The Board elects a Chairman and Vice-Chairman from among its members, and appoints a secretary (who may, but need not, be a member of the Board). The members of the Board are:

Jack A. London, Chairman (2-year term); Member of the District Board of Directors, Attorney-at-Law.

Geraldine F. Steinberg, Vice Chairman (4-year term); Member of the Santa Clara County Board of Supervisors.

Dan A. McCorquodale (2-year term); Member of the Santa Clara County Board of Supervisors.

Leslie C. Nichols (4-year term); Mayor—City of Mountain View, Attorney-at-Law.

William A. Reeves, M.D. (4-year term); Member of the District Board of Directors, member of the El Camino Hospital medical staff.

The County Treasurer and Controller are designated treasurer and controller, respectively, of the Authority, and the Clerk of the County Board of Supervisors has been appointed Secretary of the Authority. County Counsel has been appointed counsel to the Authority. The Board may appoint other officers and employees, and may retain independent counsel, consultants and accountants.

Joint Powers Agreement

The Santa Clara County-El Camino Hospital District Hospital Facilities Authority was created by a Joint Exercise of Powers Agreement (the "Agreement") between Santa Clara County and the El Camino Hospital District pursuant to the above-mentioned provisions of the Government Code of the State of California. The Agreement will continue in full force and effect until March 1, 2029, or until all bonds issued by the Authority have been paid or provided for, provided that the Agreement will terminate on March 1, 1982 if no bonds have been issued. A copy of the Agreement is included with the documents accompanying this official statement, as originally distributed.

The purpose of the Agreement is to provide for the financing and construction of health care facilities for the District and the County. The 1979 Bonds currently being offered for sale by the Authority will be used to finance the construction of additional health-care facilities to be leased to the District ("Project Phase I"). It is anticipated that the Authority will offer a subsequent issue of bonds to finance additional or improved health-care facilities for the County ("Project Phase II"). However, each such issue will be separately secured, and in such circumstances will not constitute parity bonds. As provided in the law, the Authority shall be a public entity separate from the County and the District. The debts, liabilities and obligations of the Authority shall not constitute debts, liabilities or obligations of the County and the District.

Certain Powers of the Authority

The powers of the Authority are vested in, and exercised by, a majority of the members of its governing board.

The Authority shall have power to acquire, from time to time, by purchase, lease, contribution, condemnation or otherwise, sites for the Project (as defined in the Agreement), and to construct and improve, or cause to be constructed and improved, and to maintain and operate and to lease all or part of the Project; subject, however, to the conditions and restrictions contained in the Agreement.

The Authority is authorized, in its own name, to do all acts necessary for the exercise of said powers for said purposes, including but not limited to any or all of the following: to make and enter into contracts; to employ agents and employees; to acquire, construct, manage, maintain and operate any building, works or improvements; to acquire, hold or dispose of property; to lease all or any part of the Project to any person; to incur debts, liabilities or obligations (including the 1979 Bonds now being offered), which do not constitute debts, liabilities or obligations of the County or the District; and to sue and be sued in its own name.

Such power shall be exercised subject only to such restrictions upon the manner of exercising such power as are imposed upon the County in the exercise of similar powers, as provided in Section 6509 of the Government Code of the State of California.

As defined in the Resolution, the term "Project" means public hospital buildings and facilities in the County, including in-patient and out-patient surgical suites, clinical laboratories, administrative facilities, emergency room facilities, ambulatory care facilities, and other hospital and medical facilities, together with parking, site development, landscaping, utilities, equipment, furnishings, improvements and all appurtenant and related facilities, together with land necessary therefor, financed by the Authority and leased to the County or the District pursuant to the Agreement.

The term "Project Phase I" means a hospital building to house artificial kidney unit facilities, hospital administrative facilities and storage facilities, together with parking, site development, landscaping, utilities, equipment and related facilities, including all structures, facilities and improvements appurtenant or related to Project Phase I and provided therefor, together with land necessary therefor, to be acquired and constructed by the Authority pursuant to the Agreement.

The term "Project Phase II" means the reconstruction and renovation of the Valley Medical

Center of the County, together with parking, site development, landscaping, utilities, equipment and related facilities, including all structures, facilities and improvements appurtenant or related to Project Phase II and provided therefor, together with land necessary therefor, to be acquired and constructed by the Authority pursuant to the Agreement.

Financing Procedures and Basic Legal Documents

Project Implementation. The \$5,400,000 principal amount of the Santa Clara County-El Camino Hospital District Hospital Facilities Authority Lease Revenue Bonds, 1979 El Camino Hospital Project (the "1979 Bonds"), will be issued pursuant to a Resolution of the Authority adopted July 5, 1979 (the "Resolution"). A summary of certain provisions of the Resolution is presented in the section of this Official Statement entitled "The Bonds".

Proceeds from the sale of the 1979 Bonds now being offered will be used to construct Project Phase I, the facilities to be leased to and operated by the District. Details of Project Phase I costs, scheduling of construction, sources of funds, and the application of proceeds from the sale of the 1979 Bonds currently offered are presented in the section of this Official Statement entitled "The Project Phase I." Project Phase II will be financed by a separate bond issue and will be leased to the County.

The facilities which constitute Project Phase I will be constructed on a District-owned site that is to be leased to the Authority pursuant to provisions of a site lease, the principal provisions of which are summarized in the section of this Official Statement entitled "Site Lease (1979 El Camino Hospital Project)."

The Authority will lease back to the District the Project Phase I site and facilities to be constructed thereon by the Authority pursuant to provisions of a facility lease, the principal provisions of which are summarized under the section of this Official Statement entitled "Facility Lease (1979 El Camino Hospital Project)".

For complete details of provisions of the Resolution, the Site Lease (1979 El Camino Hospital Project), and the Facility Lease (1979 El Camino Hospital Project), prospective purchasers of the 1979 Bonds described herein are referred to the text of the Basic Legal Documents accompanying the original distribution of this Official Statement.

Site Lease (1979 El Camino Hospital Project)

The Site Lease (1979 El Camino Hospital Project), herein referred to as the "Site Lease", has been approved in preliminary form by the Authority. The Site Lease will be dated August 1, 1979 and will be executed prior to the delivery of the 1979 Bonds.

Pursuant to the Site Lease, the District will lease to the Authority, at a total rental of \$1.00, the real properties (Demised Premises) upon which the Project Phase I facilities are to be constructed. The Authority shall use the Demised Premises solely for the purpose of: (1) constructing Project Phase I facilities thereon, and (2) leasing back to the District the Demised Premises and the facilities thereon pursuant to the Facility Lease (1979 El Camino Hospital Project). Such Demised Premises are presently owned by the District.

Term. The term of the Site Lease shall start on the date of its recordation in the office of the County Recorder of Santa Clara County, State of California, or on February 1, 1980, whichever is earlier. The term of the Site Lease shall end on July 1, 2006, unless such term is extended or earlier terminated. If prior to July 1, 2006, all of the 1979 Bonds or other obligations of the Authority shall have been retired, the Site Lease shall be terminated ten days thereafter (the final maturity of the 1979 Bonds is February 1, 2006). If on June 30, 2006, all of the 1979 Bonds or other obligations of the Authority issued to finance Project Phase I shall not have been retired, the term of the Site Lease shall be extended until ten days after all such Bonds or other obligations are retired, except that the term of the Site Lease shall in no event extend beyond July 1, 2011.

Quiet Enjoyment. The Authority at all times during the term of the Site Lease shall peaceably and quietly have, hold, and enjoy all of the Demised Premises except in the event of default.

Default. In the event the Authority shall be in default in the performance of any of its obligations under the Site Lease, and the default continued for thirty (30) days following notice and demand for correction thereof to the Authority, the District may exercise its legal remedies; provided that the District shall have no power to terminate the lease by reason of any default on the part of the Authority if termination would affect or impair any assignment of all or any part of the Demised Premises between the Authority and any assignee of the Authority. So long as any such assignee of the

Authority duly performs the terms and conditions of the lease, such assignee shall be deemed to be the tenant of the District and shall be entitled to all of the rights and privileges granted under any such assignment, provided that so long as any 1979 Bonds are outstanding and unpaid the rentals or any part thereof payable to the Trustee under the Resolution shall continue to be paid to the Trustee.

Eminent Domain Proceedings. In the event all or any part of the Demised Premises or the Project Phase I improvements thereon are taken by eminent domain proceedings, the interest of the Authority shall be recognized in the amount of the then unpaid indebtedness incurred by the Authority to finance the construction of Project Phase I, including interest thereon and all other payments required to be made by, or to, the Trustee under the Resolution securing the bonds described herein.

Termination and Disposition of Project. Upon the termination of the Site Lease, the Authority agrees to surrender to the District the Demised Premises and title to the permanent structures and improvements existing thereon.

The foregoing summary discussion of selected features of the Site Lease are made subject to all of the provisions of the Site Lease (1979 El Camino Hospital Project). This summary discussion does not purport to be a complete statement of provisions of the Site Lease (1979 El Camino Hospital Project). For full details of the Site Lease, prospective purchasers of the 1979 Bonds are referred to the complete text of the proposed form of Site Lease (1979 El Camino Hospital Project) included in the Basic Legal Documents accompanying the original distribution of this Official Statement.

Facility Lease (1979 El Camino Hospital Project)

The Facility Lease (1979 El Camino Hospital Project), herein referred to as the "Facility Lease," has been approved in preliminary form by the Authority. The Facility Lease will be dated as of August 1, 1979 and will be executed prior to the delivery of the 1979 Bonds. The Authority will lease to the District the Demised Premises and the Project Phase I facilities to be constructed thereon pursuant to the provisions of the Facility Lease, selected provisions of which are described below.

Term. The term of the Facility Lease shall start on the date of its recordation in the office of the

County Recorder of Santa Clara County, State of California, or on February 1, 1980, whichever is earlier. The term of the Facility Lease shall end on June 30, 2006 unless extended or earlier terminated. If prior to June 30, 2006 all of the 1979 Bonds or other obligations of the Authority issued to finance Project Phase I shall have been retired, the Facility Lease shall terminate ten days thereafter (the final maturity of the 1979 Bonds is February 1, 2006). If on June 30, 2006 all of the 1979 Bonds or other obligations of the Authority issued to finance Project Phase I shall not have been retired, the term shall be extended until ten days after all such Bonds or other obligations shall be fully paid, except that the term of the Facility Lease shall in no event be extended beyond July 1, 2011.

Construction of Facilities. The Authority has obtained competitive bids for the construction of Project Phase I facilities. Concurrent with the execution, delivery and recordation of the Facility Lease, the Authority will enter into a contract with the lowest responsible bidder for construction of Project Phase I facilities in accordance with plans and specifications previously approved by the District and the Office of Statewide Health Planning and Development of the Health and Welfare Agency of the State of California.

Commencement of Rent. It is contemplated that the District will take possession of the Demised Premises and the Project Phase I facilities on or before July 1, 1981 and the first semiannual payment of rent shall be due on July 15, 1981. If for any reason the Authority is not able to deliver possession of the Demised Premises and the Project Phase I facilities, or any part thereof, to the District by July 15, 1981, the Facility Lease shall not be void nor the Authority be liable to the District for any resulting loss or damage; but the rent payable by the District shall be abated with respect to the period between July 1, 1981 and the time when the Authority delivers the facilities for possession, based on the proportion the construction cost of the incompleted portion or portions of the Project Phase I facilities bears to the total construction cost of the Project Phase I facilities.

Base Rent. For the use and occupancy of the Demised Premises and the Project Phase I facilities, the District agrees to pay the Authority a base rent semiannually, beginning on July 15, 1981 and each succeeding January 15 and July 15 up to and including January 15, 2006, unless the Facility Lease has been earlier terminated or extended, in which

case payment of base rent will continue to the termination date of the Facility Lease. The base rent shall be in a specified amount sufficient to meet payments of interest and principal on the Authority's 1979 Bonds as they become due. The actual base rental obligation of the District will be determined upon the sale of such bonds.

Additional Rent. The District is also required to pay to the Authority additional rent, in an amount sufficient to meet all premiums and other costs becoming due on the Health Facility Construction Loan Insurance (as hereinafter discussed), and all administrative costs of the Authority related to the Project Phase I and the 1979 Bonds.

District Provision of Rent. The District covenants to include all base rent and additional rent payments in its annual budget and to make the necessary annual appropriations for all such payments. The covenant on the part of the District hereunder shall be deemed to be and shall be construed to be duties imposed by law. The Authority and the Trustee will be furnished copies of each proposed and final budget of the District within ten days of the filing or adoption thereof.

Abatement of Rent. Rent shall be abated proportionately during any period in which there is substantial interference with the District's use and occupancy of the Demised Premises and the Project Phase I facilities due to damage or destruction. The abatement of District rent, until the substantial completion of repair or reconstruction work, shall be based on the proportion of initial costs of the unusable portion or portions of the Project Phase I facilities, to the total initial cost of Project Phase I facilities. In the event of any such damage or destruction, the Facility Lease shall continue in full force and effect and the District waives any right to terminate the Facility Lease by virtue of any such damage or destruction.

Insurance. Except if such insurance is otherwise obtained by the Authority or the construction contractor, the District is required to obtain and maintain throughout the term of the Facility Lease various insurance coverages, or provisions for protection, including fire and extended coverage, public liability and property damage, and rental interruption or use and occupancy insurance. The major features of these types and amounts of insurance coverages are discussed in this Official Statement in "The Bonds" section under the heading "The Resolution." Such insurance coverage is to be provided while any of the 1979 Bonds are outstanding,

which will include the period of construction of the Project Phase I, and is to be furnished by either the construction contractor or the District.

Maintenance, Utilities, Taxes and Assessments.

The District shall be responsible for the maintenance and repair of the Demised Premises and Project Phase I while in possession, and shall pay or arrange for the payment of such costs, as well as utilities, and taxes and assessments throughout the term of the Facility Lease.

Eminent Domain Proceedings. In the event the Project Phase I facilities are permanently taken under the power of eminent domain, the Facility Lease shall terminate. In the event less than all of the Project Phase I facilities are taken under the power of eminent domain or if the Project Phase I facilities are temporarily taken under such power, the Facility Lease shall continue in full force and there shall be a partial abatement of rent to be agreed upon by the District and the Authority; however, in no event shall the rent payable by the District be less than the amount required for the retirement of the 1979 Bonds and payment of interest thereon as such bonds and interest become due.

Option to Purchase. The District shall have the option to purchase the Authority's interest in any part of the Project Phase I facilities upon payment of an option price equal to the aggregate amount for the entire remaining term of the lease of the part

of the total rent attributable to such part of the Project Phase I facilities (determined by reference to the proportion which the construction cost of such part of the Project Phase I facilities bears to the construction cost of all of the Project Phase I facilities).

Default By District. Should the District default and fail to remedy any default, the Authority has the right to terminate the Facility Lease and re-enter the premises, or without terminating the Facility Lease, re-enter and relet Project Phase I facilities as the agent of and for the account of the District, but there shall be no acceleration of rent upon any default.

Termination and Disposition of Project. Upon termination of the Facility Lease, the Authority agrees to surrender to the District the Demised Premises and title to permanent improvements thereon.

The foregoing summary discussion of selected features of the Facility Lease is made subject to all of the provisions of the Facility Lease (1979 El Camino Hospital Project). This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the 1979 Bonds now being offered by the Authority are referred to the complete text of the Facility Lease (1979 El Camino Hospital Project) which is included as part of the Basic Legal Documents accompanying the original distribution of this Official Statement.

THE BONDS

The statements herein concerning the Bonds, the leases and the Resolution are summaries of certain provisions thereof. They make use of definitions, do not purport to be complete, and are qualified in their entirety by reference to said Resolution and leases.

Authority for Issuance

The \$5,400,000 of Santa Clara County-El Camino Hospital District Hospital Facilities Authority Lease-Revenue Bonds, 1979 El Camino Hospital Project ("the 1979 Bonds"), currently being offered for sale, are to be issued pursuant to a resolution of the Authority adopted July 5, 1979.

The 1979 Bonds will be issued under provisions of the Government Code (Article 2, Chapter 5, Division 7, Title 1, Section 6540, et seq.) of the State of California.

Accompanying Documents

The principal documents which accompany this Official Statement, as originally distributed, include the Official Notice of Sale and the Basic Legal Documents containing the Agreement, the Resolution of the Authority providing for the issuance of the 1979 Bonds (the "Resolution" or the "Resolution of Issuance") and forms of the Site Lease and Facility Lease to be entered into between the District and the Authority prior to delivery of the 1979 Bonds.

Sale of the Bonds

Bids will be received on behalf of the Governing Board of the Authority at 10:00 A.M., Wednesday, August 1, 1979, at the offices of Stone & Youngberg Municipal Financing Consultants, Inc., Suite 2750, One California Street, San Francisco, California, and will be reported to such Governing Board at its meeting to be held at 7:30 A.M. the next day. Details as to the terms of sale are included in the Official Notice of Sale approved July 5, 1979.

Description of the Bonds

The \$5,400,000 principal amount of 1979 Bonds will be dated August 1, 1979, and will bear interest from their date, payable for the first year on August 1, 1980, and semiannually thereafter on each February 1 and August 1. The 1979 Bonds in coupon form are numbered 1 to 1,080, inclusive and will mature on February 1 in each of the years in the designated principal amounts as shown in the following tabulation.

| Maturity Date Feb. 1 | Principal Amount | Maturity Date Feb. 1 | Principal Amount |
|----------------------------|---------------------|----------------------------|---------------------|
| 1982 ... | \$ 85,000 | 1995 ... | \$205,000 |
| 1983 ... | 90,000 | 1996 ... | 220,000 |
| 1984 ... | 100,000 | 1997 ... | 235,000 |
| 1985 ... | 105,000 | 1998 ... | 250,000 |
| 1986 ... | 110,000 | 1999 ... | 270,000 |
| 1987 ... | 120,000 | 2000 ... | 290,000 |
| 1988 ... | 130,000 | 2001 ... | 310,000 |
| 1989 ... | 135,000 | 2002 ... | 330,000 |
| 1990 ... | 145,000 | 2003 ... | 355,000 |
| 1991 ... | 155,000 | 2004 ... | 380,000 |
| 1992 ... | 170,000 | 2005 ... | 405,000 |
| 1993 ... | 180,000 | 2006 ... | 435,000 |
| 1994 ... | 190,000 | | |

Redemption Provisions

Except as described in the following paragraph, 1979 Bonds maturing on or before February 1, 1994, a total principal amount of \$1,715,000, are not subject to call or redemption prior to their fixed maturity dates. 1979 Bonds maturing on or after February 1, 1995, a total principal amount of \$3,685,000, are subject to call and redemption, at the option of the Authority, as a whole or in part in inverse order of maturity and by lot within a single maturity on February 1, 1990, or on any interest payment date thereafter, upon payment of a redemption price equal to the principal amount called for redemption with accrued interest to the date of redemption plus a premium of one-fourth of one percent ($\frac{1}{4}$ of 1%) for each year or fraction of a year from the redemption date to the maturity date of the 1979 Bonds so called for redemption. The maximum premium payable upon optional call of the 1979 Bonds on or after February 1, 1990 is 3 percent.

The Authority shall have the right, on any date, to redeem the 1979 Bonds, as a whole, or in part by lot within each maturity then outstanding so that the annual debt service for all years after such redemption shall be as nearly equal as practical, from proceeds of insurance paid for loss or substantial damage to the Project facilities or from proceeds of eminent domain proceedings. Redemption shall be at the principal amount and accrued interest thereon to the date fixed for redemption, *without premium*.

Notice of Redemption

Notice of redemption is to be published in a financial newspaper or financial journal, circulated in the City of San Francisco, California. The first publication will be at least 30 days but not more than 60 days prior to the redemption date. The Trustee is required to give written notice to the owners of any fully registered 1979 Bonds.

Trustee and Paying Agents

The United California Bank, San Francisco, California, has been appointed by the Authority as Trustee. The Trustee will receive all of the bond proceeds and will disburse bond moneys in conformity with the Resolution. In addition to holding and administering the various funds of the Authority, the Trustee will invest the funds held in trust and will be the recipient of the rental revenues of the Authority, relating to the Project Phase I. The Trustee will also act as Paying Agent of the Authority, paying bond interest and principal. The Trustee will act as bond registrar and will authenticate all bonds.

Interest and principal are payable in lawful money of the United States of America at the principal office of the United California Bank in San Francisco, California, and in the case of coupon bonds, at the option of the holder, at the principal office of the Manufacturers Hanover Trust Company, in New York, New York, or at the office of The Northern Trust Company in Chicago, Illinois.

Form, Denomination, and Registration

The 1979 Bonds will be issued as coupon bonds in the denomination of \$5,000, or as fully registered bonds in the denomination of \$5,000 or any multiple thereof so long as principal shall mature in only one year. Coupon bonds and fully registered bonds will be interchangeable at the office of the Trustee as provided for in the Resolution.

CUSIP Numbers

It is anticipated that CUSIP numbers will be printed on the 1979 Bonds but neither failure to print such numbers on any 1979 Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the 1979 Bonds in accordance with the terms of the purchase contract.

Litigation

There is no litigation pending concerning the validity of the 1979 Bonds, and the Authority will furnish to the successful bidder a no-litigation certificate certifying to the foregoing at the time of the delivery of the 1979 Bonds.

At the present time the District is a defendant in lawsuits alleging medical malpractice on the part of the District. The District believes that any damages which may be awarded would be within the limits of its insurance coverage (see section hereof entitled "Insurance Coverage," page 34).

1978 Constitutional Amendment, Supreme Court Validation, and Implementing Legislation

On June 6, 1978, California voters approved Proposition 13 (the Jarvis-Gann Constitutional Initiative) which added Article XIII A to the California Constitution and restricts the taxing powers of California public agencies.

On September 22, 1978, the California Supreme Court upheld the validity of Article XIII A against a number of challenges which attacked Proposition 13 as a whole (*Amador Valley Joint Union High School District v. State Board of Equalization*). The Court left open for future decision many questions regarding the detailed interpretation and implementation of Article XIII A.

Section 1 of Article XIII A limits the maximum ad valorem tax on real property to one percent (1%) of full cash value (as defined in Section 2 of Article XIII A), to be collected by the counties and apportioned according to law. Excluded from this limit is an amount of taxes or special assessments to pay interest and redemption charges on any indebtedness approved by the voters prior to July 1, 1978 (the effective date of Article XIII A).

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy any property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and, for the 1978/79 fiscal year only, that each county will levy the maximum tax permitted by Article XIII A of \$4.00 per \$100 assessed valuation (based on the prior practice of using 25 percent of full cash value as the assessed value for tax purposes).

The interpretation of what constitutes "indebtedness approved by the voters prior to" July 1, 1978 under Section 1 of Article XIII A does not include the 1979 Bonds or the obligation of the District to make rental payments to the Authority for use and occupancy of the Project Phase I. Consequently, the District will not be permitted to levy an additional property tax to meet its annual rental obligation to the Authority, nor does the Authority have any taxing power whatsoever.

Chapter 292 further provides that for fiscal year 1978/79 only, the property tax levied by each county (\$4.00 per \$100 assessed valuation) is to be apportioned among all taxing agencies within the county in proportion to their average share of property taxes levied in certain previous years. The District states that it has received \$939,925 (excluding taxes levied for the payment of outstanding District general obligation bonds, which are not affected by Article XIII A) as its share of this apportionment in 1978/79, including State payment for property taxes lost through reimbursable exemptions.

The apportionment of property taxes in fiscal years subsequent to 1978/79 will depend on further action of the Legislature. Section 4 of Article XIII A effectively prohibits the levying of any other ad valorem property tax above the limits set forth in Section 1, even with the approval of the affected voters.

Chapter 292 also contained provisions appropriating a large part of the State's accumulated surplus revenues to be distributed among the State's local government units to replace lost property tax revenues in the 1978/79 fiscal year. The District did not accept any such distribution in the 1978/79 fiscal year.

The District cannot at this time estimate the amounts, if any, of State funds and local property tax

revenues that it may receive in 1979/80 and subsequent fiscal years. There is also no assurance that the aforementioned State surplus revenues will continue to exist, or that they will be allocated to local governments in fiscal years after 1978/79. The District anticipates that it will not receive local property tax revenues in subsequent years, and has made no provision in its 1979/80 operating budget for such revenues (see heading entitled "Operating and Capital Budgets," page 31).

The District represents that it has no plans to meet rental payments to the Authority under the Facility Lease from the proceeds of property taxes, but intends to meet such payments from operating revenues of the health care facilities operated by the District, including but not limited to revenues received from operation of the Project Phase I (see headings herein entitled "The Project Phase I" and "Revenues and Expenditures", commencing on page 25 and page 32, respectively, for further information concerning historical operating revenues and estimated Project Phase I revenues).

Property taxes levied by the District in prior years have been applied to voter-approved general obligation bond debt service and to capital expenditures. Such taxes have not been used to meet maintenance and operation costs of the District's health care facilities. The provisions of the aforementioned Article XIII A of the State Constitution do not affect the ability of the District to levy property taxes sufficient to service outstanding voter-approved indebtedness, but will henceforth restrict its ability to finance capital expenditures from property tax revenues.

Proposed Constitutional Initiative Limiting Governmental Spending

A proposed initiative amendment to the California Constitution entitled "Limitation of Government Appropriations" (the "Initiative") has qualified for a special Statewide general election on November 6, 1979. Under the Initiative, state and local governmental entities would have an annual "appropriations limit" and would not be able to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit". The Initiative would not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebt-

edness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. The Initiative would also not affect the expenditure by an entity of proceeds of user fees and user charges except to the extent that such proceeds exceed the costs reasonably borne by such entity in providing the product or service. In general terms, the "appropriations limit" would be based on certain 1978-79 expenditures, and would be adjusted annually to reflect changes in consumer prices, population, and services provided by these entities. Among other provisions of the Initiative, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The details of the Initiative are more complex than the foregoing description, and if approved by the voters, the Initiative would require considerable clarification from subsequent legislation or judicial decisions. The Authority can neither predict whether the Initiative will be approved by the voters nor whether the validity of the Initiative will, if thereafter challenged, be upheld, in whole or in part, by the courts.

The District cannot predict whether or the extent to which all or a portion of the District's user fees and charges may be determined to be "proceeds of taxes" subject to the limitations on expenditures as provided in the Initiative. To the extent that such user fees and charges are determined to be "proceeds of taxes," the amount of money available to the District in each year for expenditure for District purposes, including payment of rental to the Authority, may be reduced.

Legal Opinion

The legal opinion of Orrick, Herrington, Rowley & Sutcliffe, San Francisco, California, bond counsel to the Authority, approving the validity of the 1979 Bonds, will be furnished to the purchasers without charge at the time of the original delivery of the 1979 Bonds, and is included in proposed form as Appendix A to this Official Statement. A copy of the legal opinion will be printed on each bond without charge to the purchaser. See the concluding paragraph of the "To Whom It May Concern" section of this Official Statement (preceding page 1 hereof) regarding the scope of bond counsel's employment concerning this Official Statement.

Bond counsel's fee is payable from the proceeds of the bonds and is contingent upon bond delivery, except if the bonds are not issued and the Project is abandoned, bond counsel will receive a fee based upon the amount of work performed to said time of abandonment.

Tax Exempt Status

In the opinion of bond counsel, the interest on the 1979 Bonds will be exempt from all present Federal income taxes under existing statutes, regulations, and court decisions, and the 1979 Bonds will be exempt from all present taxation in California other than inheritance, estate, gift and franchise taxes.

Eligibility for Deposits of Public Moneys

In the opinion of the Attorney General of the State of California (50 Cal.Ops Atty.Gen.1), bonds of joint powers authorities are eligible for security for deposits of public moneys in California.

Purpose of Issue

The 1979 Bonds are being issued by the Authority to finance the construction of an artificial kidney unit building on a portion of the grounds of the existing El Camino Hospital to house existing equipment operated by the District, as more fully described in the section of this Official Statement entitled "The Project Phase I". The Project Phase I, including the real property described in the Site Lease, will be leased to the District under the Facility Lease.

Additional Series of Bonds

The Authority does not at this time plan to issue any series of bonds on a parity with, and secured by the same revenues (i.e. rental payments from the District) as the 1979 Bonds. Additional parity bonds may be issued under the Resolution and would be equally and ratably secured under the Resolution with the 1979 Bonds. If issued under the Resolution, such additional bonds may only be authorized to finance health care facilities specified in the Resolution for lease to the District, and pursuant to specific provisions as prescribed in the Resolution.

It is anticipated that the Authority will at some future date authorize a separate issue of bonds to finance certain improvements to health care facilities

to be operated by the County of Santa Clara (the Project Phase II). Such bonds would be authorized by a separate resolution of the Authority and would be secured by a separate lease between the Authority and said County of Santa Clara. The District would not be liable or obligated in any way under such lease. At present, the County anticipates that such financing may occur within the next 24 to 36 months.

Security

Bond interest and principal coming due each year are secured by and payable from Revenues (as defined in the Resolution) of the Authority, which consist primarily of rental payments to be made by the District for use of the Project Phase I. Under the terms of the Facility Lease to be dated as of August 1, 1979, the District will agree to pay the Authority semiannual fixed Base Rentals which will be sufficient to pay bond interest and principal, plus Additional Rental in an amount sufficient to meet other necessary expenses of the Authority, including premiums for California Health Facility Construction Loan Insurance coverage described below. The District will agree to make appropriations in its annual budget for the amount of Base Rental and Additional Rental. All unrestricted funds of the District may be used for payment of said rentals.

Base Rental payments are scheduled to commence on July 15, 1981 (or upon completion of the Project Phase I, whichever is later), and will be due on each succeeding January 15 and July 15 until all bonds and the interest thereon are fully paid or provided for, or January 2011, whichever is earlier. The District plans to derive funds for the payment of Base Rental and Additional Rental from revenues received from the health care facilities operated by the District, including but not limited to the Project Phase I. Net operating revenues of the District before depreciation and property tax revenues amounted to \$3,235,702 in the fiscal year ended June 30, 1978. (Historical operating revenues of the District and projected revenues of the Project Phase I are presented herein under the headings entitled "The Project Phase I" and "Revenues and Expenditures".

District payments of Base Rental are estimated at \$463,600 per year on the basis of the schedule of Estimated Annual Bond Service presented in Table 1 hereof (see page 19), but the actual rental will be determined after bond bids are received. Additional Rental for administrative costs of the Authority are estimated at \$5,000 to \$10,000 per year

(excluding premiums for insurance protection, other than the California Health Facility Construction Loan Insurance, which are expected to be paid directly by the District). In addition, Additional Rental will include premiums for the insurance coverage to be provided by the State of California (see section immediately following for a discussion of such insurance). Based on the current premium schedule of $\frac{1}{2}$ of 1% of the outstanding principal each year, annual premiums will range from a high of \$27,000 in 1982 (premium charges for the first 18 months are funded from bond proceeds) to a low of \$2,175 in 2006, for an average of \$14,588.

District rental payments under the Facility Lease will constitute the only source of funds available for the payment of debt service on the 1979 Bonds (unless substitute debentures are issued by the State in the event of default, or unless proceeds are received from insurance claims or eminent domain proceedings in the event of loss of, substantial damage to, or the taking of the Project Phase I), and such rentals are payable only from the general funds of the District legally available therefor. As previously stated, the District intends to meet such rental payments from its operating revenues. Based on net operating revenues of \$3,235,702 for the 1977/78 fiscal year (before depreciation and property tax revenues) and estimated Base Rental of \$463,600, such net operating revenues would provide a coverage of 6.98 times annual Base Rental requirements. There is, however, no assurance that such revenues or coverages will be maintained in subsequent years. Any action or event that substantially reduces District operating revenues or accumulated surplus could impair its ability to meet the rental obligation. Remedies provided in the Facility Lease for default by the District do not include acceleration of rent.

State Insurance

The 1979 Bonds will be insured under the California Health Facility Construction Loan Insurance Law (Chapter 4, Part 1, Division 1 of the California Health & Safety Code; the "Insurance Law").

The Insurance Law provides that in the event the Authority defaults on the payment of principal or interest on the 1979 Bonds, the State will issue, in exchange for the bonds, debentures in an amount equal to the outstanding principal amount of the 1979 Bonds plus interest on the bonds accrued and unpaid on the date of default. Alternatively the State at its option may cure such default by paying

directly to the Bondholders of any amounts of principal or interest which are accrued and unpaid.

If the State elects to issue debentures, such debentures will bear the same interest rates as the 1979 Bonds and will have the same repayment schedule. The debentures will be issued in denominations of multiples of \$1,000 and in coupon or registered form. Any amounts due holders of defaulted bonds and accrued interest thereon in excess of a multiple of \$1,000 will be paid to the bondholders in cash by the State.

The Insurance Law states that such debentures "shall be, pursuant to Section 4 of Article XVI of the California Constitution, fully and unconditionally guaranteed as to principal and interest by the State of California, which guaranty shall be expressed on the face of the debentures."

The Insurance Law provides that the insurance coverage for any issue of bonds insured under the Insurance Law cannot be cancelled by the State except: (a) upon the joint request of the borrower and the lender, or (b) upon failure of the borrower to pay the insurance premium for 30 days after a notice of delinquency is sent by the State. In order to avoid the risk of cancellation of the insurance for the latter cause, the Resolution provides that on the first day of each month the Trustee will deposit into the Loan Insurance Premium Fund (as hereinafter described) an amount which, together with other moneys in such fund, will be at least equal to the premiums becoming due under the Health Facility Construction Loan Insurance during the ensuing twelve months (plus any inspection or other fees necessary to keep such insurance in force). With the consent of the State, moneys in the Reserve Fund (as hereinafter described) may be used to pay such insurance premiums in the event that the balance in the Loan Insurance Premium Fund is not sufficient.

The Insurance Law also provides that any contract of insurance is incontestable except for fraud or misrepresentation.

The proposed Project Phase I has been granted a Certificate of Exemption from Certificate of Need requirements by the Office of Statewide Health Planning and Development, and has otherwise complied with eligibility requirements under the Insurance Law. The regulations and requirements promulgated under the Insurance Law will, in general, necessitate various additional showings and docu-

mentations by the Authority, which in the opinion of the Authority, can be met without undue difficulty. The "Contract of Insurance", which will evidence the insurance, is to be issued by the State at the time the 1979 Bonds are delivered.

The Resolution

The following summary of major provisions of the Resolution under which the 1979 Bonds will be issued is presented below. The summary does not provide a complete and detailed description of all provisions of the Resolution and prospective purchasers of the 1979 Bonds are referred to the copy of the Resolution contained in the Basic Legal Documents accompanying the original distribution of this Official Statement.

The Trustee. United California Bank, San Francisco, California has been appointed by the Authority as Trustee. The Trustee will receive all of the bond proceeds and revenues of the Authority for disbursement in conformity with the Resolution. In addition to administering the various funds of the Authority, the Trustee will invest all funds held in trust, act as paying agent for the Authority's bonds and act as bond registrar.

Creation of Special Funds. The Resolution provides for the establishment of special trust funds, all to be held and administered by the Trustee. The funds applicable to the 1979 Bonds and any additional series of bonds together with their sources and uses are summarized in the tabulation on the following page. Moneys held in the various funds may be invested by the Trustee under the provisions of Section 5.04 of the Resolution.

Disposition of Bond Proceeds. Section 3.02 of the Resolution provides that the proceeds from the sale of the 1979 Bonds shall be deposited with the Trustee. The Trustee will then make the following deposits:

(1) *Construction Loan Insurance Premium Fund.* The sum of \$62,100, which is the first 18 months' premium and inspection fees for the Health Facility Construction Loan Insurance.

(2) *Interest Fund.* An amount sufficient to pay the interest accruing on the 1979 Bonds on and before February 1, 1981.

(3) *Reserve Fund.* A sum equal to one-fourth of maximum annual debt service on the 1979 Bonds.

(4) *Authority Operation Fund.* The sum of \$10,000 which is to be maintained as working capital to pay Authority administrative expenses, Trustee's fees, or other necessary administrative expenses.

(5) *Construction Fund.* The balance of proceeds from the sale of 1979 Bonds shall be deposited in the Construction Fund and applied to the payment of costs of the Project Phase I.

When the Project Phase I has been completed, a certificate of the Authority stating the fact and date of such completion, together with an Architect's cer-

tificate stating the fact and date of such completion, shall be delivered to the Trustee by the Authority. With the receipt of these certifications the Trustee shall transfer any remaining balance not needed for Project Phase I purposes to the Revenue Fund.

Revenue Fund. All Base Rental revenue shall be paid to the Trustee and deposited by the Trustee to the credit of the Revenue Fund. Moneys in the Revenue Fund, unless needed to be held for later debt service, shall be disbursed, applied, or set aside by the Trustee in the following order of priority:

Special Funds

| Fund | Principal Source | Use |
|--|---|--|
| Construction Fund (Section 3.03) | Bond Proceeds | Construction, and incidental expenses of bond issuance and delivery. |
| Revenue Fund (Section 5.01) | District Base Rental Payments | Transfers to Loan Insurance Premium Fund, if needed; Interest Fund; Principal Fund; Operation and Maintenance Fund, if needed; Reserve Fund, if needed; and Authority Operation Fund, if needed. |
| Loan Insurance Premium Fund (Section 5.02(a)) | District Additional Rental Payments | Payment of Health Facility Construction Loan Insurance premiums. |
| Interest Fund (Section 5.02(b)) | Transfers from Revenue Fund | Bond interest payments. |
| Principal Fund (Section 5.02(c)) | Transfers from Revenue Fund | Bond principal payments. |
| Operation and Maintenance Fund (Section 5.02(d)) | Transfers from Revenue Fund | To meet costs of operation and maintenance if at any time the Authority shall operate and maintain Project Phase I. |
| Reserve Fund (Section 5.02(e)) | Bond Proceeds and, if depleted, Revenue Fund to the extent available | Bond principal and interest; payment of final maturities; payment for Project Phase I repairs or replacement; transfer to Loan Insurance Premium Fund. |
| Authority Operation Fund (Section 5.03) . | Bond Proceeds, District Additional Rental Payments, and transfers from Reserve Fund earnings, if needed | Authority operating expenses attributable to Project Phase I. |

(1) *Loan Insurance Premium Fund*—On or before the first day of each month, commencing in February, 1981, an amount which, when added to the balance in such fund, will at least equal the premiums and other fees and costs coming due in the next twelve months under the Health Facility Construction Loan Insurance Law are to be transferred to this fund, provided that no such transfer need be made if the amount in the fund is equal to the premiums and other fees and costs coming due in such twelve-month period.

(2) *Interest Fund*. On or before July 31, 1981, and on or before each succeeding January 31 and July 31, an amount equal to the aggregate half-yearly amount of interest becoming due and payable on the outstanding 1979 Bonds on the next succeeding interest payment date, less any available balances in said fund.

(3) *Principal Fund*. On or before July 31 of each year (commencing on or before July 31, 1981) an amount equal to at least one-half of the aggregate yearly amount of principal becoming due and payable on the outstanding 1979 Bonds on the next succeeding February 1, and on or before January 31 of each year (commencing on or before January 31, 1982), an amount at least equal to the sum which, together with any balance then on deposit, will be sufficient to pay the aggregate amount of principal becoming due and payable on the outstanding 1979 Bonds on the next succeeding February 1.

(4) *Operation and Maintenance Fund*. If the Authority shall at any time operate the Project Phase I, on or before each January 31 and July 31, the Trustee shall deposit an amount needed to provide for payment of all costs of operation and maintenance during the next 6 months.

(5) *Reserve Fund*. A Reserve Fund equal to one-fourth maximum annual bond service will be created from the proceeds of the 1979 Bonds and be held by the Trustee. Moneys in the Reserve Fund may be used and withdrawn by the Trustee (subject to the approval of the Director of the Office of Statewide Health Planning and Development in the Health and Welfare Agency of the State of California, if the balance in the Reserve Fund is less than one-fourth maximum annual bond service after such use and withdrawal) for the following purposes: (1) To maintain the Construction Loan Insurance in effect; (2) To pay,

together with insurance proceeds received, and to make up for portions of losses not covered by insurance because of deductible amounts or replacement cost limitations, for the repair, reconstruction or replacement of any damaged or destroyed portion of the Project Phase I, or for the loss of rental income not insured because of the permitted deductible; (3) To pay bond interest and principal in the event no other funds are available; (4) For the retirement or redemption of all 1979 Bonds then outstanding and; (5) To reimburse the District for any rental previously paid for a period during which rental is abated and for which no other moneys (including proceeds or rental interruption or use and occupancy insurance) are available.

Moneys in the Revenue Fund, Reserve Fund, Principal Fund, and Interest Fund may be used by the Trustee to reimburse the District for any rental payable under the Facility Lease for a period during which rental is abated and for which no other moneys (including proceeds of the rental interruption or use and occupancy insurance) are available.

On or before each January 31 and July 31 (commencing July 31, 1981), the Trustee shall transfer all remaining moneys available, after the deposits having a higher priority have been made (including any required deposit to the Authority Operation Fund) and less any amount retained to meet debt service requirements in any subsequent year, to the Reserve Fund. If on February 1 or August 1 of any year the balance in the Reserve Fund exceeds one-fourth of maximum annual debt service on the 1979 Bonds, the Trustee shall pay such excess to the District (provided the Authority is not in default under the Resolution and the District is not in default under the Facility Lease).

Authority Operation Fund. The Trustee shall deposit in the Authority Operation Fund from time to time all amounts received in the form of additional rental sufficient to maintain a balance of \$10,000, said moneys to be used to pay all administrative costs of the Authority attributable to Project Phase I, exclusive of Construction Loan Insurance premiums which are heretofore provided for.

Investment of Funds. Any moneys in any of the funds may be invested in time deposits including certificates of deposits of banks or savings and loan institutions or in Federal securities, subject to limitations as set forth in the Resolution.

Moneys in the Interest Fund and in the Principal Fund may be invested in obligations which will, as nearly as practicable, mature on or before the respective semiannual interest payment dates or annual bond maturity dates.

Moneys in the Construction Fund and the Authority Operation Fund may be invested in obligations which will mature within one year from the date of investment. Moneys in the Reserve Fund may be invested in obligations which will mature within five years from the date of investment. Moneys in the Revenue Fund, the Loan Insurance Premium Fund and in the Operation and Maintenance Fund may be invested in obligations which will mature so as to be available when needed.

All interest earned on any such investment shall become part of the fund on which earned, except that such interest earnings received or accrued on Interest Fund and Reserve Fund moneys during construction of the Project Phase I shall be transferred to the Construction Fund.

Additional Series of Bonds. Although the Authority does not plan, at this time, to issue additional series of bonds beyond the 1979 Bonds which would be secured by the same revenues as the 1979 Bonds, Section 3.04 of the Resolution permits the issuance of one or more additional series of parity bonds by supplemental resolution(s) subject to, among other things, the following conditions:

(1) The Authority shall not be in default under provisions of the Resolution;

(2) The supplemental resolution shall require that the additional series of bonds will be issued for the purposes of acquiring or constructing additional health care facilities for the District, or the completion or making of additions, improvements, or extensions to the Project Phase I;

(3) The additional series of bonds shall have no priority over the 1979 Bonds;

(4) The Authority must enter into an amended Facility Lease with the District in which the District obligates itself to increase the base rental in amounts sufficient to provide for the payment of the principal of and interest on the additional series of bonds when due;

(5) Provision must be made to increase the Reserve Fund to an amount equal to at least one-fourth maximum annual bond service on all series of bonds to be outstanding thereafter;

(6) The additional bonds shall be payable as to principal on February 1 and as to interest on February 1 and August 1;

(7) The Authority must have entered into a construction contract for the improvements to be financed with proceeds of the additional bonds;

(8) The Site Lease and/or the Facility Lease shall be amended to include any additional real property and the improvements to be constructed; and

(9) The Authority shall have obtained Health Facility Construction Loan Insurance on the additional bonds.

Title Insurance. A policy of title insurance insuring either the leasehold interest title of the Authority in the real property described in the Site Lease or the title of the District in such real property will be provided at or prior to delivery of the 1979 Bonds. Said policy will contain an endorsement so as to be payable to the Office of Statewide Health Planning and Development in the Health and Welfare Agency of the State of California, and shall be in the principal amount of the 1979 Bonds.

Fire and Extended Coverage Insurance. While any of the Bonds are outstanding, the Authority shall cause to be maintained insurance against loss or damage to any structures constituting part of the Project Phase I by fire and lightning with extended coverage and vandalism and malicious mischief insurance. Such insurance shall either (1) be in an amount equal to the replacement cost of the structures subject to deductible clauses for any one loss not to exceed the lesser of \$50,000 or the moneys in the Reserve Fund available therefor, or (2) be in an amount and in form sufficient to enable the Authority (together with moneys in the Reserve Fund) either to retire all bonds then outstanding or to restore the structures to the condition existing before such loss.

Use and Occupancy Insurance. While any of the Bonds are outstanding, the Authority shall cause to be maintained use and occupancy or rental interruption insurance to cover total or partial loss of rental income from the Project Phase I facilities resulting from damages discussed in the "Fire and Extended Coverage Insurance" paragraph above in an amount sufficient to pay the total rental due for the period of time allowed for the construction of the Project Phase I by the construction contractor plus three months subject to a deductible clause of not to exceed the lesser of thirty days or the excess of the

available moneys in the Reserve Fund not needed to pay losses not insured by reason of any other deductible clauses.

Public Liability and Property Damage Insurance. Except as provided below, while any of the Bonds are outstanding the Authority shall cause to be maintained public liability insurance. Minimum liability limits for such insurance are \$1,000,000 for personal injury or death of one person; \$3,000,000 for personal injury or death of two or more persons in each event; and \$200,000 for property damage subject to a deductible clause not to exceed \$5,000 for property damage for any one accident. Such public liability and property damage insurance may however be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks.

The Authority shall have the right to provide other kinds of insurance or methods or plans of protection against risk or loss which shall be in substitution for the public liability insurance otherwise required to be maintained by the Authority, providing such other kinds of insurance, plans or methods shall afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee giving consideration to cost, availability and plans or methods of protection adopted by California hospital districts other than the District.

Eminent Domain. If all or any part of the Project Phase I shall be taken by eminent domain proceedings, or sold under threat thereof, the proceeds therefrom shall be deposited with the Trustee and applied and disbursed as follows: (a) to be treated as revenues of the Project Phase I if the Project Phase I operation has not been materially affected or the Authority's ability to meet its obligations has not been impaired; or the proceeds shall be used if needed for repair or rehabilitation of the Project Phase I; (b) to be used to redeem bonds if less than all of the Project Phase I shall have been taken by eminent domain and if the Project Phase I operation has been materially affected, or the Authority's ability to meet its obligations has been impaired; and (c) if all of the Project Phase I shall have been taken by eminent domain, the proceeds therefrom and any other available monies shall be used to redeem bonds. If said monies are insufficient the Trustee shall first apply the proceeds to meet the Trustee's cost of administration of its trusts under the Resolution and then to payment of principal and interest on the 1979 Bonds then outstanding, in full or ratably without preference or priority.

Waiver of Personal Liability. No Board member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing herein contained shall relieve any such Board member, officer, agent or employee from the performance of any official duty provided by law.

Additional Covenants. The Resolution contains other covenants, including but not limited to the following whereby the Authority agrees to:

(1) Punctually pay the principal and interest on the 1979 Bonds as they become due, but solely from Revenues;

(2) Promptly collect all rents and charges due for the occupancy or use of the Project Phase I and to enforce its rights against any tenant who does not pay such rents and charges as they become due;

(3) Maintain, or cause to be maintained, proper books of record and account;

(4) Maintain, or cause to be maintained, in good condition and repair the Project Phase I facilities;

(5) Construct and complete the Project Phase I in conformity with the construction contract (under the construction contract 100% performance bonds and 100% labor and materialmen's bonds will be required of the contractor);

(6) Pay, discharge, or contest any taxes, assessments, or other charges upon the Project Phase I or the revenues;

(7) While any of the 1979 Bonds are outstanding, maintain the Health Facility Construction Loan Insurance in full force and effect, and comply with all terms and conditions thereunder; and

(8) Not to make use of the proceeds of the 1979 Bonds or any other funds of the Authority which would cause the 1979 Bonds to become taxable "arbitrage bonds" by reason of Section 103(c) of the Internal Revenue Code of 1954, as amended.

Event of Default—Remedies. The Resolution declares each of the following events to be an event of default:

(1) Failure to pay the principal on the 1979 Bonds when due and payable;

(2) Failure to pay interest on the 1979 Bonds when due and payable, if such failure shall have continued for 30 days;

(3) If default shall be made in the deposit into the Loan Insurance Premium Fund of any moneys when such deposit is so required;

(4) If a default shall be declared by the State of California under the Health Facility Construction Loan Insurance;

(5) Default by the Authority in the performance or observance of any of the covenants, agreements or conditions in the 1979 Bonds or in the Resolution if such default continues for sixty (60) days after written notice thereof has been given to the Authority by the Trustee or by the holders of not less than 25% in principal amount of the 1979 Bond then outstanding; or

(6) If the Authority shall file a petition in bankruptcy or if a court shall approve a petition seeking reorganization, or if under the provisions of any other law for the aid of debtors, any court of competent jurisdiction assumes custody or control of the Authority or of the whole or any substantial part of its property.

In the case of an event of default, the Trustee or the holders of not less than a majority in aggregate principal amount of the bonds at the time outstanding may declare the principal of all the bonds then outstanding and the interest thereon to be due and payable immediately; provided, however, that such default may be rescinded upon the terms set forth in the Resolution.

The Resolution provides that no remedy conferred therein upon the Trustee or the bondholders shall be exclusive of any other remedy, and that each and every remedy shall be cumulative and shall be in ad-

dition to every other remedy given under the Resolution or thereafter conferred upon the Trustee or bondholders. However, the effect of any such remedies may be limited by the laws of the State of California affecting such remedies and may also be limited by laws governing bankruptcy, insolvency or other matters affecting enforcement of creditors' rights.

Amendment of the Resolution. The Resolution may be modified or amended by a supplemental resolution only with the consent of the holders of 60% of all bonds then outstanding (exclusive of disqualified bonds, as defined in the Resolution) unless the modification of amendment is for the purpose of curing ambiguities or defects in the Resolution; grants or confers upon the bondholders additional rights, remedies, powers, authority or security; or to provide for the issuance of additional bonds in conformity with the provisions of the Resolution, in which case no bondholder's consent is required. No modification or amendment of the Resolution shall: (1) extend the fixed maturities of the 1979 Bonds, or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the amount of principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each such Bond so affected, or (2) reduce the aforesaid percentage of holders of 1979 Bonds whose consent is required for the execution of any amendment or modification of the Resolution, or (3) modify any of the rights or obligations of the Trustee or any paying agent without its written consent thereto.

ESTIMATED ANNUAL BOND SERVICE

Table 1 presents an estimate of annual debt service on the 1979 Bonds based on an assumed interest coupon rate averaging 7 percent per annum. This schedule would require an average annual base rental of approximately \$463,600. Such base rental payments are a general fund obligation of the District, as previously stated, and the actual annual amount (payable semiannually) will be determined after bids on the 1979 Bonds are received. Rental payments are expected to commence on the later of completion of construction or July 15, 1981.

Table 1

SANTA CLARA COUNTY - EL CAMINO HOSPITAL DISTRICT HOSPITAL FACILITIES AUTHORITY

\$5,400,000 Lease Revenue Bonds, 1979 El Camino Hospital Project Estimated Annual Bond Service

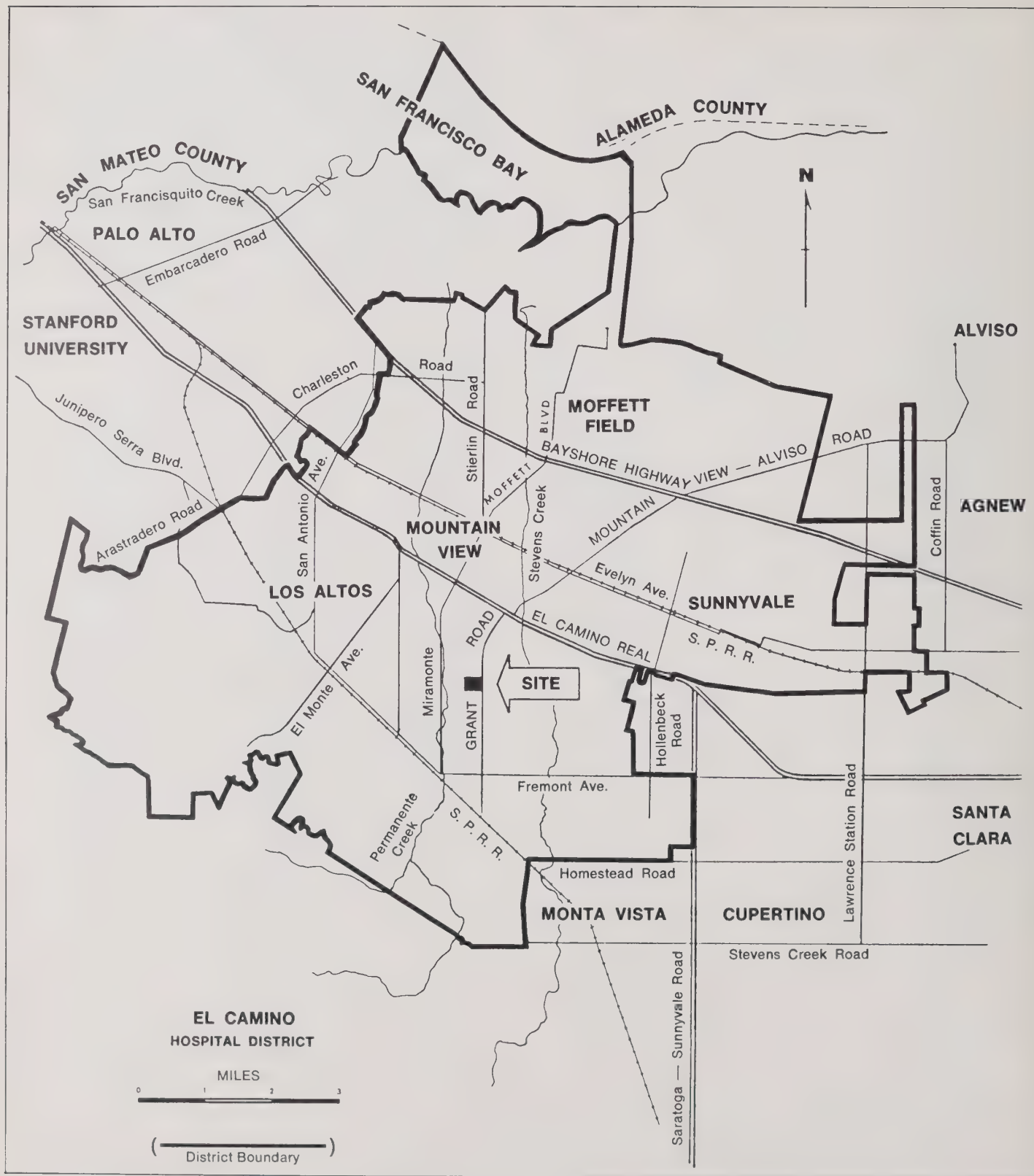
| Year Ending Feb. 1 | Bonds Outstanding ^① | Interest Estimated @ 7% | Principal Maturing | Total Bond Service |
|--------------------------|-----------------------------------|-------------------------------|-----------------------|--------------------------|
| 1980 | \$5,400,000 | \$ 189,000 ^② | \$ — | \$ 189,000 |
| 1981 | 5,400,000 | 378,000 ^③ | — | 378,000 |
| 1982 | 5,400,000 | 378,000 | 85,000 | 463,000 |
| 1983 | 5,315,000 | 372,050 | 90,000 | 462,050 |
| 1984 | 5,225,000 | 365,750 | 100,000 | 465,750 |
| 1985 | 5,125,000 | 358,750 | 105,000 | 463,750 |
| 1986 | 5,020,000 | 351,400 | 110,000 | 461,400 |
| 1987 | 4,910,000 | 343,700 | 120,000 | 463,700 |
| 1988 | 4,790,000 | 335,300 | 130,000 | 465,300 |
| 1989 | 4,660,000 | 326,200 | 135,000 | 461,200 |
| 1990 | 4,525,000 | 316,750 | 145,000 | 461,750 |
| 1991 | 4,380,000 | 306,600 | 155,000 | 461,600 |
| 1992 | 4,225,000 | 295,750 | 170,000 | 465,750 |
| 1993 | 4,055,000 | 283,850 | 180,000 | 463,850 |
| 1994 | 3,875,000 | 271,250 | 190,000 | 461,250 |
| 1995 | 3,685,000 | 257,950 | 205,000 ^④ | 462,950 |
| 1996 | 3,480,000 | 243,600 | 220,000 ^④ | 463,600 |
| 1997 | 3,260,000 | 228,200 | 235,000 ^④ | 463,200 |
| 1998 | 3,025,000 | 211,750 | 250,000 ^④ | 461,750 |
| 1999 | 2,775,000 | 194,250 | 270,000 ^④ | 464,250 |
| 2000 | 2,505,000 | 175,350 | 290,000 ^④ | 465,350 |
| 2001 | 2,215,000 | 155,050 | 310,000 ^④ | 465,050 |
| 2002 | 1,905,000 | 133,350 | 330,000 ^④ | 463,350 |
| 2003 | 1,575,000 | 110,250 | 355,000 ^④ | 465,250 |
| 2004 | 1,220,000 | 85,400 | 380,000 ^④ | 465,400 |
| 2005 | 840,000 | 58,800 | 405,000 ^④ | 463,800 |
| 2006 | 435,000 | 30,450 | 435,000 ^④ | 465,450 |
| | | <u>\$6,756,750</u> | <u>\$5,400,000</u> | <u>\$12,156,750</u> |

① Amount outstanding prior to payment of principal in each year indicated.

② Six months interest paid from 1979 Bond proceeds as part of interest payable at end of the first year.

③ Paid from 1979 Bond proceeds.

④ Subject to call and redemption from any source of funds on and after February 1, 1990 (see Section hereof entitled "Redemption Provisions," page 8).



Boundary map of the El Camino Hospital District.

EL CAMINO HOSPITAL DISTRICT

Existing Facilities and History

Formation of the District was authorized by a vote of the electorate on October 20, 1956 to encompass an area of approximately 48 square miles in northern Santa Clara County. Included within the District boundaries are the cities of Mountain View, Los Altos, Los Altos Hills, about 60 percent (by population) of the City of Sunnyvale, portions of the Cities of Palo Alto, Santa Clara and Cupertino, and unincorporated County areas. Estimated District population was less than 100,000 at the time of formation and is presently estimated at 160,000.

The District is organized and operates under the provisions of the Local Hospital District Law (commencing with Section 32000 of the Health and Safety Code of the State of California). Affairs of the District are conducted by a five-member Board of Directors elected at large for four-year alternating terms at elections held every two years. Hospital and District operations are carried out under the direction of an administrator who is appointed by and responsible to the Board of Directors. Mr. R. Edwin Hawkins has served as District Administrator since 1958, and is the only Administrator the District has had since its formation. From 1955 to his appointment at El Camino Hospital, he was administrator at Louisville General Hospital, Louisville, Kentucky, and from 1950 to 1955 was administrator of Porter Memorial Hospital, Valparaiso, Indiana. Mr. Hawkins received a Bachelor's Degree in Business Administration from Southern Methodist University, Dallas, Texas, and a Master's Degree in Hospital Administration from Northwestern University, Chicago, Illinois. His affiliations include the Association of Western Hospitals, Vice President, the California Hospital Association, Past Board Member, Fellow of the American College of Hospital Administrators, and Past President of the Central Coast Hospital Conference.

Mr. James R. Witthar, District Controller, has served in this capacity since 1964, and his responsibilities include the duties of Chief Financial Officer. Prior to employment by the District, he was Chief Accountant for Presbyterian Hospital (Columbia-Presbyterian Medical Center) in the City of New York. He previously held the position of Controller for Valley Hospital in Ridgewood, New Jersey. Since 1948 he has maintained continued service in finance positions in acute care medical facilities. Mr. Witthar holds a Bachelor's Degree in Business Administration (Accounting) from the College of the City of New York. He is an advanced member of the Hospital Financial Managers Association, and an active member of the Finance Group of the Hospital Conference of Santa Clara County.

Members of the District Board of Directors, together with their term of office and principal employment, are discussed below.

Alvin Rutner, M.D., President—member of the El Camino Hospital medical staff (term expires December 1980). Norma J. Melchor, 1st Vice President—civic leader (term expires December 1982). Billy B. Russell, Secretary—retail merchant (term expires December 1980). Jack A. London, 2nd Vice President—Attorney-at-Law (term expires December 1980). William A. Reeves, M.D., Treasurer—member of the El Camino Hospital medical staff (term expires December 1982).

Following completion of the District formation proceedings, voters of the District in June of 1957 approved the issuance of \$7.3 million of general obligation bonds to provide funds for the construction and equipping of the original 307-bed hospital. The hospital opened on September 1, 1961, and immediately experienced a high daily patient census. The continuing increase in the average daily patient census prompted the District Board of Directors to seek authorization to issue an additional \$4.5 million of general obligation bonds to finance the needed expansion. Issuance of these bonds was approved by the District electorate in 1963. All bonds authorized in 1957 have since been retired, and the bonds authorized in 1963 will be fully retired in April of 1985. All capital expenditures subsequent to issuance of the bonds authorized in 1963 have been made from retained earnings from operations, proceeds of maintenance and operation taxes (levied for capital outlay purposes only), funded deprecia-

tion, and from gifts and bequests. The District estimates its total investment in land, hospital plant and equipment (before depreciation and dispositions) at \$32,823,729, of which more than \$20 million has been generated from hospital operations and property taxes. The 1979 Bonds of the Authority described in this Official Statement, which are not a debt of the District, represent the first indebtedness incurred by or on behalf of the District since 1964.

The original hospital structure contained 205,260 square feet in a combination reinforced concrete-structural steel Class "A" building. Expansion of this building has added two nursing floors, new surgery and food service wings, a psychiatric service wing, nuclear medicine area, expanded ground and first floor space, additional gynecology space, and separate nurses residence, service building and shop/storage building. The main hospital building now encompasses 423,551 square feet, located on a 42-acre site (a portion of which will be leased to the Authority as the site for Project Phase I). The present number of beds in use at El Camino Hospital are as follows: Medical-surgical—296; Maternity—32; Psychiatric—36; Pediatrics—39; Intensive Care—28. Parking for 855 vehicles is provided on the grounds. Although the District operates no medical office buildings, there are an estimated 35 such facilities in surrounding areas.

Services provided at El Camino Hospital include medical, surgical, intensive care, renal dialysis, physical medicine, respiratory and radiation therapy. Diagnostic services, which are also available to outpatients where appropriate, include: radiology and nuclear medicine, EEG and EKG procedures, a wide range of laboratory and pathology services (including clinical chemistry and radio immunoassay). Emergency services are provided 24-hours daily. At the time the District was formed in 1956, there were 80 physicians practicing in the District. There are now 536 members of the Medical Staff (including 334 members of the Active Medical Staff) representing all areas of medical specialties as well as general practice. Nursing and other full-time equivalent staff employees currently number 1,207. In addition, approximately 1,100 volunteer workers contribute an estimated 86,000 hours per year to El Camino Hospital. The hospital is fully accredited by the Joint Commission on Accreditation of Hospitals (most recent date of accreditation—December 20, 1977; next review—Fall of 1979), and is certified for participation in the Medicare, Medi-Cal, and other

health-care programs. The District reports the following composition of patients, by source of payment (1978/79 fiscal year):

Sources of Payment

| | |
|---------------------------------|------------|
| Medicare | 30% |
| Medi-Cal | 9 |
| Blue Cross | 18 |
| Self-pay | 10 |
| All other third-party pay | 33 |
| | <hr/> 100% |

El Camino Hospital is located in the midst of a highly developed and industrialized area that experienced extensive growth from the end of World War II to the mid-1960's. However, this area is now maturing and future growth is expected at a moderate rate. Bed capacity at the hospital has remained relatively stable since the mid-1960's because of the moderation in growth of the surrounding area, and because of a general reduction in the length of patient stay and an increasing emphasis on outpatient services instead of admission as an in-patient. The District anticipates that there will not be a need for additional beds for the next few years; however, due to the aging of the population, there is expected to be a greater need in the intensive care areas, particularly the cardiac care unit, renal dialysis service, and other services needed to care for diseases more commonly related to an aging population. Because of its location in the densely populated southern portion of the San Francisco Peninsula/northern Santa Clara Valley, patients admitted to the hospital are almost equally divided between those residing within the District boundaries and those outside.

Access to the hospital is convenient to residents of the District and neighboring areas. The hospital is situated approximately midway between two freeways (U.S. 101 and I-280) connecting with the City of San Jose (10 miles to the south) and San Francisco (35 miles to the north). El Camino Real, a major arterial serving the area, is less than one mile east of the hospital grounds.

Selected Statistical Data

Selected statistical data pertaining to hospital operations for the five most recent fiscal years are presented in the following tabulation.

EL CAMINO HOSPITAL DISTRICT

Five Year History of Selected Operating Statistics, Ratios and Other Data^①

| | | July 1 to June 30 | | | | |
|----|---|-------------------|---------------|---------------|---------------|---------------|
| | | 1974- 1975 | 1975- 1976 | 1976- 1977 | 1977- 1978 | 1978- 1979 |
| a. | Beds in Use | 431 | 431 | 431 | 431 | 431 |
| b. | Admissions | 20,465 | 20,838 | 20,197 | 20,274 | 20,614 |
| c. | Average Length of Stay (days) ... | 5.3 | 5.5 | 5.5 | 5.6 | 5.3 |
| d. | Patient Days | 109,368 | 114,015 | 111,910 | 114,164 | 109,818 |
| e. | Average Annual Occupancy (%) .. | 69.5% | 72.3% | 71.1% | 72.5% | 69.8% |
| f. | Total Operating Revenues Per Patient Day | \$186.08 | \$213.71 | \$237.64 | \$273.32 | \$305.14 |
| g. | Total Operating Expenses Per Patient Day | \$176.19 | \$200.48 | \$223.82 | \$253.42 | \$266.12 |
| h. | Surgical Procedures | 12,694 | 12,774 | 11,939 | 11,599 | 11,718 |
| i. | Laboratory Examinations | 235,919 | 254,330 | 252,952 | 257,540 | 245,911 |
| j. | Radiology Procedures | 71,101 | 74,376 | 61,873 | 59,347 | 60,403 |
| k. | Cardio-Pulmonary Procedures | 309 | 460 | 574 | 521 | 530 |
| l. | Physical Therapy Procedures | 9,796 | 11,210 | 13,122 | 12,839 | 13,131 |
| m. | Emergency Room Visits | 34,771 | 34,927 | 36,150 | 37,206 | 37,591 |
| n. | Kidney Dialyses | 4,991 | 5,180 | 6,114 | 7,729 | 8,539 |
| o. | Radiotherapy Treatments | 4,099 | 4,692 | 5,491 | 6,328 | 8,882 |
| p. | Pulmonary Function Studies | 5,603 | 8,971 | 8,015 | 9,289 | 8,985 |

^① Items (a) through (g) exclude Newborns and Ambulatory Surgery.

Source: El Camino Hospital District.



Existing facilities of El Camino Hospital.

Professional and Educational Affiliations

El Camino Hospital is a member of the American Hospital Association, California Hospital Association, California Medical Association, Association of California Hospital Districts, Hospital Council of Northern California, and the Association of Western Hospitals. The District participates in various university programs in Hospital Administration for residency training; registered nurses training at San Jose State University and Evergreen Valley Community College; and training programs for registered nurses, nursing assistants, respiratory therapists, biomedical technologists and X-ray technicians at Foothill/DeAnza Community College District. In addition, the District operates a school for medical technologists.

Factors Affecting District Revenues

While payment of principal and interest on the 1979 Bonds will be insured under the Insurance Law (see sections entitled "Security," page 12, and "State Insurance," page 12), the primary source of security for the 1979 Bonds consists of rental payments to be made to the Authority by the District from operating revenues of health care facilities operated by the District. Factors that could affect such operating revenues, and the District's ability to make rental payments, include the following:

1. Proposed Legislation and Regulation

Health care facilities generally and the District specifically have been subject to increasing regulation by federal, state and local governments. Operations of hospitals are subject to governmental regulation and licensing regarding fitness and adequacy of the hospital, its equipment, personnel and standards of medical care. Hospitals are subject to periodic inspection by state licensing agencies to determine whether the standards of medical care necessary for continued licensing are being met. The District anticipates that government regulation of health care facilities will become more widespread and comprehensive in the future but the extent of the impact upon the District's operations, revenues and expenses cannot now be determined. Changes in the applicable statutes, ordinances, rules and regulations could require changes in the facilities, equipment, personnel, rates or services of the District which might adversely affect the District's business and earnings. Additionally, the following may affect the future operations of the District:

A. In recent years a number of bills have been introduced in Congress proposing to regulate or control health care costs by limiting increases in inpatient revenues or otherwise limiting the rates which may be charged for hospital services. Such legislation, if enacted, could impair the ability of the District to charge rates or obtain reimbursements from third-party payors sufficient to meet operating expenses.

B. A number of proposals for national health care insurance have been submitted to Congress. While these proposals vary widely in scope and effect, they could, if enacted, adversely affect the ability of the District to obtain reimbursements from third-party payors sufficient to meet operating expenses.

2. Health Planning

The National Health Planning and Resource Development Act of 1974, which became effective in 1975, established a comprehensive program for the development of long-range plans for the proper distribution of health care delivery systems, control of health care costs, review of proposed construction of health care facilities and other matters. The program is administered by the various state Health Systems Agencies, which are required to establish Health Systems Plans for their jurisdictions. Pursuant to this legislation, the Department of Health, Education and Welfare on March 28, 1978, published National Guidelines for Health Planning. These regulations, which are to be considered by state Health Systems Agencies in formulating Health Service Plans, are the first in a series of National Guidelines intended to establish national goals and policies in the area of health care. The effect of these and future National Guidelines on the District is uncertain.

California has adopted "Certificate of Need" legislation which requires a health care facility to obtain a Certificate of Need prior to major expenditures for capital improvements or equipment or new medical services. To the extent that such certificates are required prior to future expenditures by the District and are not obtainable, future expansion of the District's facilities and services may be hampered.

3. Medicare and Medi-Cal

A significant portion of the revenues of the District are derived from Medicare and Medi-Cal. These third party payors presently provide reimbursement to the District on the basis of defined costs. Not all of the expenses of the District are "defined costs" and not all "defined costs" are reimbursed if they exceed

certain predetermined limitations. To the extent that any actual cost increases incurred by the District exceed predetermined limitations or are not considered "defined costs", District reimbursement from Medicare and Medi-Cal may not cover the increased costs. Further, future actions taken by the federal government to limit or reduce the total amount of funds available for the Medicare program, or similar action taken by the state government with respect to the Medi-Cal Program, could lower the reimbursements available to the District and thus reduce District revenues.

4. Malpractice Insurance

In recent years, the number of malpractice suits and the dollar amounts of patient damage recoveries have increased nationwide, resulting in substantial increases in malpractice insurance premiums. While the District currently has malpractice insurance coverage which management considers adequate, the District is unable to predict the availability or cost of malpractice insurance in the future. See section entitled "Insurance Coverage," page 34.

5. Equipment

Technological advances in recent years have accelerated the trend toward the use of sophisticated diagnostic and treatment equipment in hospitals. The availability of certain equipment may be a significant factor in hospital utilization, but purchase of such equipment may be subject to health planning agency approval and to the ability of a hospital to finance such purchase.

6. Changes in Health-Care Delivery

Efforts by health insurers and governmental agencies to limit the cost of hospital service and to reduce utilization of hospital facilities may reduce future District revenues, as may future medical and scientific advances. Improved preventive medicine, occupational health and safety, and outpatient health care delivery may also reduce utilization of health care facilities and District revenues.

7. Competition

Increased competition from other hospitals and health care facilities now or hereafter located in the service area of the District could adversely affect the District.

8. Other Factors

Additional factors which may affect future District operations include:

a. Possible material increases in utility costs in the future due to an energy shortage, to the extent

such increased costs are not reimbursed by third-party payors.

b. The possibility that the District may be required by a change in the Local Hospital District Law or other laws to render substantially greater services without charge or at a reduced charge.

c. El Camino Hospital is fully accredited by the Joint Commission on Accreditation of Hospitals which accreditation, as is the case for all hospitals, is subject to renewal. The current accreditation expires in November, 1979. While the District anticipates no difficulty in renewing the accreditation, loss of accreditation could result in the loss of moneys received pursuant to the Medicare program and adversely affect the District's ability to make rental payments.

Competing Facilities

The District reports that there are five acute-care hospitals which may be classified as competing health-care facilities. These are: O'Connor Hospital, San Jose Hospital and Health Center, Santa Clara Valley Medical Center and Good Samaritan Hospital of the Santa Clara Valley (all in the City of San Jose), and Stanford University Medical Center in the City of Palo Alto. None of these facilities are situated within the District boundaries. A comparison of selected rates and charges for El Camino Hospital and the five facilities mentioned above is shown in the tabulation on page 27.

The Project Phase I

Proceeds of the 1979 Bonds now being offered will be used to finance the construction of a 46,300 square foot two-story (plus partial basement) building to house the hospital's outpatient artificial kidney program and provide hospital office and storage space. The building will be situated on a 1.974-acre site leased to the Authority by the District, and will be connected to the hospital by a tunnel and surface walkways.

The Project Phase I will be used only for outpatient dialysis services comprising both hemodialysis and automated peritoneal dialysis for home training, self-care and limited care. A total of 22 stations will be operated 18 hours per day, Monday through Saturday. The District estimates that staffing the operation will require eight technicians, thirty registered nurses, and twelve administrative, clerical and support personnel. The stations will be utilized as follows: Home training—4; outpatient self-care—4;



Architect's rendering of the proposed artificial kidney unit (Project Phase I) to be financed with proceeds of the 1979 Bonds now being offered for sale.

EL CAMINO HOSPITAL DISTRICT

Rate Comparisons between District and Competing Facilities

| | El Camino Hospital 6/24/79 | O'Connor Hospital 7/1/79 | San Jose Hospital and Health Center 12/1/78 | Santa Clara Valley Med. Center 8/14/78 | Good Samaritan Hospital of the Santa Clara Valley 7/1/79 | Stanford University Med. Center 9/1/78 |
|--------------------------------|----------------------------------|--------------------------------|--|---|--|---|
| Room Rates^①: | | | | | | |
| Private | \$160.00 | \$168.00 | \$160.00 | \$187.00 | \$185.00 | \$192.00 |
| 2-Bed | 160.00 | 155.00 | 152.00 | 165.00 | 155.00 | 172.00 |
| 4-Bed | 156.00 | 152.00 | 144.00 | 157.00 | 145.00 | 159.00 |
| Nursery | 100.00 ^② | 122.00 | 118.00 | 111.00 | 108.00 | 108.00 |
| Pediatrics | 183.00 | 178.00 | 166.00 | 168.00 | 175.00 | 208.00 |
| Psychiatry | 160.00 | — | 160.00 | 252.00 | 165.00 | 193.00 |
| Intensive Care | 439.00 | 435.00 | 400.00 | 497.00 | 500.00 | 591.00 ^① |
| Cardiac Care | 371.00 | 385.00 | 400.00 | 497.00 | 400.00 | 591.00 ^① |
| Definitive Observation .. | 260.00 | 280.00 | 255.00 | 227.00 | 285.00 | 353.00 |
| Ancillary Services: | | | | | | |
| Surgery: | | | | | | |
| Major—First Hour .. | \$243.00 | \$230.00 | \$280.00 | \$242.00 | \$215.00 | \$325.00 |
| Minor—First Hour .. | 163.00 | 150.00 | 220.00 | 89.00 | 200.00 | 234.00 |
| Delivery Room | \$286.00 | \$265.00 | \$275.00 | \$330.00 | \$275.00 | \$195.00 |
| Labor Room/Hour | 6.25 | 14.50 | 9.50 | 31.50 | 8.00 | 30.00 |
| Laboratory: | | | | | | |
| Complete Blood Count | \$ 15.60 | \$ 15.40 | \$ 15.55 | \$ 14.50 | \$ 15.25 | \$ 14.50 |
| Urinalysis | 10.10 | 9.40 | 9.55 | 8.00 | 10.00 | 7.75 |
| Radiology: | | | | | | |
| Chest—Routine | \$ 27.00 | \$ 25.00 | \$ 25.50 | \$ 28.00 | \$ 28.00 | \$ 28.95 |
| Upper G.I. | 80.00 | 85.00 | 90.50 | 91.00 | 51.50 | 80.80 |
| Electrocardiogram | 30.00 | 33.00 | 32.75 | 34.00 | 30.00 | 30.80 |

① Rates applicable to District residents. Non-District patients are charged \$5 per day additional (excluding Nursery).

② Median of multi-rate schedule.

Source: El Camino Hospital District.

Note: Dates in column headings reflect effective dates of indicated rates.

outpatient limited care (with staff assistance)—13; and isolation (for hepatitis patients)—1.

Revenue and expense projections prepared by the District for operation of the dialysis unit (Project Phase I) indicate that it will be self-supporting as to operating and general expenses, and will generate net revenues approximately equal to District base rental payments to the Authority. Table 2 presents

a pro-forma operating statement of the dialysis unit for the first year of operation (excluding depreciation and base rental payments). It should be noted that payment of both base rental and additional rental is a General Fund obligation of the District, and is not dependent upon the revenues derived from the operation of Project Phase I. Any unrestricted funds of the District may be applied to such payments.

Table 2**PROJECT PHASE I****Projection of Revenues and Expenses
(First Operating Year—1981/82)**

| | |
|--|--------------------------|
| Patient revenue (net of deductions and allowances) | \$3,040,000 |
| Other revenue | 1,663,000 |
| Total Revenue | \$4,703,000 |
| Labor expense | \$1,539,000 |
| Supply expense | 1,856,000 |
| Fees and services | 490,000 |
| General and administrative expense .. | 15,000 |
| Allocated overhead | 338,000 |
| Total Expense | \$4,238,000 ^① |
| Net Income | \$ 465,000 |

① Excludes depreciation of building and equipment, estimated at \$137,000.

Source: El Camino Hospital District.

The District has completed all required environmental proceedings necessary for development of the Project Phase I, and has obtained approvals of Project Phase I and the plans and specifications therefor from all involved regulatory agencies. Project Phase I has been declared to be exempt from Certificate of Need and "Seismic Safety Act" requirements for inpatient facilities of the California Statutes. However, the building (Construction Type II) will comply with all local seismic safety standards. The architects for Project Phase I are the firm of Stone, Marraccini and Patterson, San Francisco, California.

Estimated Project Costs

Bids for construction of Project Phase I were received on June 19, 1979. The low bid was submitted by the firm of PAXTON Construction Co., San Mateo, California. Table 3 presents a summary of project costs, based on the low construction bid, and estimates of other project costs, capitalized interest, reserves, Health Facility Construction Loan Insurance premiums and fees during construction, and other costs in connection with issuance of the Bonds. Interest earned from investment of Bond proceeds is

based on an assumed average rate of return of seven percent per annum.

Contractor's Obligations

The contractor has 460 calendar days from the date of notice to proceed to complete Project Phase I (scheduled for approximately December 1, 1980, subject to delays excusable under the construction contract). Notice to proceed will be given after the Bonds have been delivered, which is expected to occur on or about August 30, 1979. To assure completion, the contractor is required to post 100 percent faithful performance and labor and materialmen's bonds. In addition, the District is providing builder's risk insurance covering all risks, including fire and extended coverage (but excluding earthquake), upon the structure.

If the contractor fails to complete Project Phase I on schedule, he will be subject to liquidated damages of \$300 per day, which may be deducted from moneys due the contractor.

Table 3**SANTA CLARA COUNTY-EL CAMINO
HOSPITAL DISTRICT
HOSPITAL FACILITIES AUTHORITY
Estimated Project Cost and Bond Issue**

| | |
|--|--------------------------|
| Construction | \$4,249,000 ^① |
| Construction contingency | 127,000 |
| Architectural services | 295,000 |
| Movable equipment | 25,000 |
| Surveys, testing, supervision and inspection | 32,500 |
| State insurance premium and fees ... | 62,100 |
| Capitalized interest (18 mo. @ 7%) | 567,000 |
| Reserve fund (1/4 max. annual debt service) | 116,438 |
| Authority operation fund | 10,000 |
| Legal, financing and miscellaneous .. | 115,962 |
| Total project cost | \$5,600,000 |
| Less: Interest earnings during construction | (200,000) |
| Total bond issue | \$5,400,000 |

① Based on low construction bid submitted June 19, 1979, by PAXTON Construction Co., San Mateo, California.

DISTRICT FINANCIAL DATA

Assessed Valuations

The Santa Clara County Assessor assesses property for District tax purposes. The State Board of Equalization reports the 1977/78 Santa Clara County valuations averaged 21.9 percent of full market value, except for public utility property, which is assessed by the State at 25 percent of full value. County assessment ratios for 1978/79 are not available.

Under California law, two types of exemptions of property from ad valorem taxes became effective in the 1969/70 fiscal year. One exempts 50% of

the value of business inventories from ad valorem taxes. The other provides for an exemption of \$1,750 of the assessed valuation of an owner-occupied dwelling if the owner files for the exemption. Under a constitutional amendment, the California Legislature can raise the exemption. Revenue estimated to be lost to each taxing entity as a result of such exemptions is fully reimbursed to the taxing entity from state funds. The reimbursement is based upon total taxes which would be due on the assessed valuation of the property qualifying for these exemptions, without allowance for tax collection delinquencies.

The tabulation below presents the District's 1978/79 assessed valuation by tax roll, before and after the two exemptions mentioned above. These assessed values reflect the implementation of Proposition 13, now Article XIII A of the California Constitution. (See page 9 for a full discussion of Proposition 13.)

The District's assessed valuation for the previous five years is shown in the bottom tabulation. During this period, assessed valuation of the District increased 67 percent.

EL CAMINO HOSPITAL DISTRICT

1978/79 Assessed Valuation

| Tax Roll | Taxable Assessed Valuation | Homeowner Exemptions | Business Inventory Exemptions | Assessed Valuation for Revenue Purposes |
|-----------------|----------------------------|----------------------|-------------------------------|---|
| Secured | \$ 879,872,160 | \$51,134,650 | \$20,363,353 | \$ 951,370,163 |
| Unsecured | 180,965,803 | — | 58,862,916 | 239,828,719 |
| Utility | 36,524,190 | — | — | 36,524,190 |
| Total① | \$1,097,362,153 | \$51,134,650 | \$79,226,269 | \$1,227,723,072 |

① Includes \$3,350,352 Redevelopment Agency increment. Taxes on this redevelopment increment are not available to the District.

Source: County of Santa Clara Department of Finance.

Assessed Valuation, 1973/74 - 1977/78

| Fiscal Year | Taxable Assessed Valuation | Reimbursable Exemptions | Assessed Valuation for Revenue Purposes | Redevelopment Increment① |
|---------------|----------------------------|-------------------------|---|--------------------------|
| 1973/74 | \$ 641,528,280 | \$ 74,484,498 | \$ 716,012,778 | \$1,518,708 |
| 1974/75 | 712,370,776 | 92,446,032 | 804,816,808 | 1,826,696 |
| 1975/76 | 825,732,070 | 102,239,645 | 927,971,715 | 1,861,049 |
| 1976/77 | 924,868,164 | 105,082,824 | 1,029,950,988 | 2,065,740 |
| 1977/78 | 1,071,035,017 | 111,770,422 | 1,182,805,439 | 2,842,502 |

① Taxes on Redevelopment Agency increments are not available to the District.

Source: County of Santa Clara Department of Finance.

Tax Rates

Section 1(a) of Proposition 13 (now Article XIII A of the California Constitution) limits any ad valorem tax on real property to one percent of full cash value of such property. However, this limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by voters prior to July 1, 1978, the effective date of Article XIII A.

The District's 1978/79 tax rate per \$100 of assessed valuation is \$0.009 for bond interest and redemption. Because of implementing legislation for Proposition 13 adopted by the State legislature in 1978, District revenues from taxes previously levied for maintenance and operation were replaced in the 1978/79 fiscal year by State appropriations and apportionments (see pages 9 and 10).

A history of the District's tax rates for the five years ending in 1977/78 is presented below. During this time, the District tax rate ranged from \$0.240 to \$0.309 per \$100 assessed valuation.

EL CAMINO HOSPITAL DISTRICT Tax Rate History, 1973/74 to 1977/78

| Tax Year | Debt Service | Maintenance and Operation ^① | Total Rate |
|---------------|--------------|--|------------|
| 1973/74 | \$.140 | \$.100 | \$.240 |
| 1974/75 | .121 | .120 | .241 |
| 1975/76 | .109 | .200 | .309 |
| 1976/77 | .099 | .200 | .299 |
| 1977/78 | .087 | .200 | .287 |

^① Applied to capital outlays.

Source: Santa Clara County Finance Department.

Tax Rate Areas

In 1978/79, the District levied a property tax in 148 tax rate areas. For the 1978/79 fiscal year, the total of all tax rates per \$100 assessed valuation in these code areas ranged from a low of \$4.373 (Mountain View) to a high of \$5.163. (Sunnyvale). Tax Rate Area 5-001 and Tax Rate Area 9-042 have a combined 1978/79 assessed valuation of \$323,625,864, or over 29 percent of the District's 1978-79 assessed valuation. All tax rates in these two code areas for the 1978/79 fiscal year are presented in the tabulation opposite.

EL CAMINO HOSPITAL DISTRICT Selected Code Area Tax Rates

| Tax Agency | Tax Code Area 5-001 ^① | Tax Code Area 9-042 ^② |
|---|----------------------------------|----------------------------------|
| Santa Clara County 1% Levy .. | \$4.000 | \$4.000 |
| Santa Clara County Bond | .109 | .109 |
| Sunnyvale City Bond | — | .240 |
| Elementary/Unified School Bonds | .065 | .083 |
| High School Bonds | .033 | .098 |
| Community College Bonds | .068 | .068 |
| El Camino Hospital District Bonds | .009 | .009 |
| Total Rate, All Property .. | \$4.284 | \$4.607 |
| Land Values Only: | | |
| Santa Clara Valley Water Conservation District Bond | .022 | .022 |
| Land and Improvements Only: | | |
| Santa Clara Valley Water District Zone W-1 | .070 | .070 |
| Flood Control—N Bond | .020 | .040 |
| Total, All Rates | \$4.396 | \$4.739 |

^① Located in Mountain View. 1978/79 A.V. \$184,443,885.

^② Located in Sunnyvale. 1978/79 A.V. \$139,181,979.

Source: Santa Clara County Finance Department.

Tax Levies, Collections and Delinquencies

District secured taxes appear on the same tax bill as county and city taxes, are payable in equal installments on November 1 and February 1, and become delinquent on December 10 and April 10 respectively. Taxes on properties appearing on the unsecured roll are assessed and payable on March 1 and become delinquent the following August 31.

The following tabulation summarizes the general purpose secured tax levies and the amount and percentage of the current levy delinquent as of June 30 for the past five fiscal years. The relatively low ratios of tax delinquencies, averaging only 0.79 percent over the most recent five-year period, have resulted in nearly complete collection of the District's tax levy from the current year's collections.

EL CAMINO HOSPITAL DISTRICT

Current Secured Tax Levy and Delinquency

| Fiscal Year | Secured Levy | Amount Collected June 30 | Amount Delinquent June 30 | Percent Delinquent June 30 |
|---------------|--------------|--------------------------|---------------------------|----------------------------|
| 1973/74 | \$ 555,679 | \$ 549,947 | \$ 5,732 | 1.03% |
| 1974/75 | 735,724 | 729,381 | 6,343 | 0.86 |
| 1975/76 | 1,406,118 | 1,395,412 | 10,706 | 0.76 |
| 1976/77 | 1,569,597 | 1,559,164 | 10,433 | 0.66 |
| 1977/78 | 1,788,506 | 1,777,037 | 11,469 | 0.64 |

Source: County of Santa Clara Finance Department.

Large Taxpayers

No single taxpayer accounts for more than four percent of the District's 1978/79 secured assessed valuation. The largest taxpayer, Lockheed Missiles & Space Co., has a total 1978/79 secured assessed valuation of \$28,704,824. Among the largest taxpayers are Pacific Telephone & Telegraph Co. (secured assessed valuation of \$19,564,831 plus many small parcels of nominal value), National Semiconductor Corporation (\$14,440,032), and Prudential Insurance Company of America (\$8,862,760).

Other major taxpayers include Signetics Corp., Westinghouse Electric Corp., Pacific Gas & Electric Co., California Canners and Growers, Libby McNeill & Libby, Hewlett-Packard Co., Western Electric Co., Southern Pacific Transportation Co., Fairchild Camera & Instrument Corp., and GTE Sylvania, Inc.

District Financial Records

District accounting is performed on a fund-accounting basis, with each fund consisting of a self-balancing set of accounts. Assets, liabilities, revenues and expenses are recorded under the accrual method of accounting.

Operating and Capital Budgets

The District Operating Budget is prepared for the coming fiscal year, while the Capital Budget covers the next three fiscal years. Both budgets are presented to the Resources Planning Committee, a standing committee of the Board of Directors composed of representatives of the Governing Board, Medical Staff, and Hospital Administration. After committee review and correction, the finalized bud-

gets are presented to the Board of Directors at the regular June meeting each year for review and adoption.

A summary of the approved District Operating Budget for the 1979/80 fiscal year is presented below.

EL CAMINO HOSPITAL DISTRICT

Budget and Pro-forma Operating Statement Fiscal Year 1979/80

| | |
|------------------------------------|------------------------|
| Revenues | |
| Inpatient | \$37,822,000 |
| Outpatient | 7,380,000 |
| Total Patient Revenue | \$45,202,000 |
| Less: Deductions and Allowances .. | 2,884,000 |
| Net Patient Revenue | \$42,318,000 |
| Other Revenue | 898,000 |
| Total Revenue | \$43,216,000 |
| Expenses | |
| Labor Expense | \$24,329,000 |
| Supply Expense | 6,582,000 |
| Fees and Purchased Services | 5,152,000 |
| General and Administrative | 2,370,000 |
| Depreciation | 1,266,000 ^① |
| Total Expense | \$39,699,000 |
| Net Operating Income .. | \$ 3,517,000 |

① Represents expense item not requiring cash outlay, which is available for other authorized expenditures.

Source: Operating Budget for the 1979/80 fiscal year and schedule of fees and charges both as approved by the District Board of Directors as of June 24, 1979. Excludes general obligation bond debt service and property taxes levied for the payment thereof.

Fund Balances

The District's fund balances represent the excess of assets over liabilities, as well as the excess of revenues over expenditures of the District from its inception.

The Unrestricted Fund is subdivided into assets which have been designated by the Board of Directors for specific projects or functions and assets which have not been designated for such purposes.

The restricted funds include all contributions, gifts or income restricted by the donor or grantor. The District maintains a Specific Purpose Fund for all restricted gifts and contributions and a Bond Interest and Redemption Fund to account for funds on deposit with the County for the redemption of bonds.

At June 30, 1978, the District fund balance totaled \$37,748,835. The unrestricted fund balance at June 23, 1979 (unaudited) amounted to \$41,531,173, compared with \$35,253,732 at the same time in 1978. Cash fund balance at June 23, 1979 was \$817,925 (unaudited). Fund balances for each of the four past fiscal years are presented in the tabulation below.

Revenues and Expenditures

A summary of District revenues and expenditures for the past five available fiscal years is presented in Table 4, page 33. Annual balances correspond with total fund balances, described in the following paragraphs. A copy of the District financial statements with the report of audit thereof for the fiscal year ended June 30, 1978, is presented as Appendix B. Appendix B is an integral part of this Official Statement and must be read together with the sum-

mary presented in Table 4. The financial statements of the District for the fiscal year ended June 30, 1978 presented in Appendix B have been included in reliance upon the report of C. G. Uhlenberg & Co., Certified Public Accountants, given upon their authority as experts in auditing and accounting.

The tabulation below presents a summary of District income and expense for the portion of the 1977/78 and 1978/79 fiscal years ending June 23, respectively (both unaudited).

EL CAMINO HOSPITAL DISTRICT

Income and Expense

To June 23, 1978 and 1979

| | 1978 | 1979 |
|---------------------------|--------------|--------------|
| Patient Income (Net) | \$35,586,416 | \$38,013,833 |
| Other Operating | | |
| Income (Net) | 644,520 | 730,187 |
| Non-Operating Income | 525,171 | 727,030 |
| Property Taxes | 2,328,260 | 939,925 |
| Total Income . | \$39,084,367 | \$40,410,975 |
| Labor Expense | \$20,987,186 | \$21,961,223 |
| Supplies | 6,003,926 | 6,231,152 |
| Fees and Services | 4,129,310 | 4,363,480 |
| Depreciation | 1,092,817 | 1,150,583 |
| Insurance | 674,671 | 642,488 |
| Other | 1,314,059 | 1,382,232 |
| Total Expense . | \$34,201,969 | \$35,731,158 |
| Net Income .. | \$ 4,882,398 | \$ 4,679,817 |

Source: District financial records.

EL CAMINO HOSPITAL DISTRICT

Statement of Fund Balances as of June 30

| Fund ^① | 1975 | 1976 | 1977 | 1978 |
|--|--------------|--------------|--------------|--------------|
| Unrestricted | \$23,656,433 | \$26,974,067 | \$30,251,022 | \$37,034,677 |
| Specific Purpose | 97,295 | 238,812 | 575,491 | 662,894 |
| Bond Interest and Redemption | 124,717 | 107,721 | 86,425 | 51,264 |
| Total | \$23,878,445 | \$27,320,600 | \$30,912,938 | \$37,748,835 |

① Prior to 1975 fund titles were as follows: Maintenance and Operation, Building and Equipment Replacement, Plant and Property, Construction, Bond Redemption and Interest, and Education and Gift Fund.

Source: District audit reports.

Table 4

EL CAMINO HOSPITAL DISTRICT

Summary of Revenues and Expenditures

Consolidated Funds

| | 1973/74 | 1974/75 | 1975/76 | 1976/77 | 1977/78 |
|--|------------------------|---------------------------|------------------------|------------------------|----------------------|
| Balance, July 1 | \$24,454,642 | \$20,935,612 ^② | \$23,878,445 | \$27,320,600 | \$30,912,938 |
| Revenues | | | | | |
| Patient Revenue | \$18,817,956 | \$23,040,973 | \$27,016,790 | \$30,300,965 | \$35,995,467 |
| Food Sales | | 194,321 | 217,901 | 249,417 | 281,624 |
| Employee Housing | | 30,330 | 24,553 | 30,306 | 27,643 |
| Miscellaneous | | 32,000 | 102,766 | 191,301 | 283,716 |
| Cost Adjustments and Minor Recoveries | | 61,707 | 75,341 | 93,244 | 96,645 |
| Property Taxes, Current Year | 1,701,298 | 1,692,349 | 2,421,832 | 2,725,088 | 3,013,076 |
| Property Taxes, Prior Years | 24,897 | 29,880 | 48,501 | 48,460 | 38,685 |
| State Subvention | | 223,715 | 286,573 | 317,681 | 320,022 |
| Interest | 382,252 | 400,831 | 493,394 | 354,740 | 523,067 |
| Other | 59,106 | 113,597 | 241,170 | 330,661 | 309,626 |
| Total | \$20,985,509 | \$25,819,703 | \$30,928,821 | \$34,641,863 | \$40,889,571 |
| Expenditures | | | | | |
| Salaries and Wages | \$10,339,268 | \$12,252,709 | \$12,824,216 | \$14,307,310 | \$15,993,272 |
| Employee Benefits | 1,268,610 | 1,590,504 | 3,345,359 | 4,116,069 | 5,084,836 |
| Fees for Professional Medical Services | 1,185,610 | 1,497,456 | 1,713,581 | 1,836,966 | 2,048,489 |
| Supplies | 2,307,382 | 4,110,712 | 4,856,220 | 5,347,790 | 6,207,193 |
| Purchased Services | 936,118 | 1,567,057 | 1,680,905 | 1,860,716 | 2,104,009 |
| Utilities | 321,357 | 407,628 | 572,171 | 626,242 | 819,917 |
| Other Fees and Services | 1,278,197 | 643,443 | 956,040 | 1,234,997 | 1,191,677 |
| Depreciation | 523,847 | 624,027 | 938,075 | 953,095 | 1,056,891 |
| Other | 1,048,059 ^① | 183,334 | 191,755 | 126,425 | 98,664 |
| Total | \$19,210,448 | \$22,876,870 | \$27,078,322 | \$30,409,610 | \$34,604,948 |
| Adjustments | | | (408,344) ^③ | (639,915) ^④ | 551,274 ^⑤ |
| Balance, June 30 | \$26,229,703 | \$23,878,445 | \$27,320,600 | \$30,912,938 | \$37,748,835 |

① Includes \$1,032,563 Debt Service.

② Adjusts certain June 30, 1974 balances to conform with financial statement presentation required by Accounting and Reporting Manual for California Hospitals, as well as the CPA Industry Audit Guide for Hospitals.

③ Reflects change to straight-line method of depreciation for individual assets.

④ Reflects change in depreciation practices to conform with requirements of Federal Medicare and California Medi-Cal, also deletes capitalized interest from capital assets.

⑤ Completes change to composite method of depreciation for machinery and equipment purchased prior to July 1, 1977, as required by Federal Medicare and California Medi-Cal.

Source: District audit reports.

Insurance Coverage

Insurance protection is provided by the Insurance Company of North America, as follows:

| Coverage | Limits |
|-----------------------------|--------------|
| Building and Contents | \$50,700,000 |
| Automobile | 5,000,000 |
| Nurses' Quarters | 500,000 |
| Boiler and Machinery | 4,000,000 |
| Accounts Receivable | 7,000,000 |
| Employee Dishonesty | 100,000 |

The District is liable for the first \$50,200 of each claim that is successfully brought against it. The Directors of the Emergency and Psychiatric services are full-time employees of the District and have coverage under the District policy.

The District does not require evidence of malpractice insurance as a condition of Medical Staff membership. Professional liability (malpractice) coverage is purchased from the Truck Insurance Exchange of Los Angeles. Layered coverage to \$10,000,000 per incident is provided as follows:

| Limits | Carrier |
|-----------------------------|--|
| —0— to \$ 1,000,000 | Truck Insurance Exchange |
| \$1,000,000 to \$ 5,000,000 | Lloyds of London |
| \$5,000,000 to \$10,000,000 | National Union Fire Insurance Co. of Pittsburgh, Pa. |

The District and its Medical Staff have combined to form the El Camino Insurance Exchange for malpractice and hospital professional liability coverage. The Exchange is organized independently of the Hospital or Medical Staff, having its own governing board, articles of incorporation, and bylaws.

Labor Relations

The District has a labor agreement with Local 39 of the Operating Engineers Union which expires in October of 1979. In addition, the District has an agreement with the El Camino Hospital Nurses Association which expires in September of 1980.

Both of these agreements cover hourly rates of pay and certain other working conditions. The only work stoppage ever experienced by the District occurred over a 10-day period in 1976 by the Operating Engineers, which did not materially affect operations of the El Camino Hospital.

Pension Plan

The District has a pension plan which covers substantially all of its employees. Coverage is purchased through the Travelers Insurance Company. Total pension expense for the 1977/78 and 1978/79 fiscal years, respectively, were \$449,975 and \$492,842, which represent current service costs computed actuarially. Prior service costs were funded in the year of inception of the retirement plan.

Lease Obligations

As of June 30, 1979 the District was committed to six lease agreements, all of which carry seven-year terms. The latest termination date is November of 1985. The active lease agreements have annual payments aggregating \$531,780, as shown in the schedule of leased equipment on page 36.

Outstanding Bonded Debt

As of the date of this official statement, the District's total outstanding general obligation bonded indebtedness is \$1,475,000, consisting of General Obligation Bonds, Issue of 1964, Series A and B, not redeemable, with annual maturity dates of April 15 and final maturity of April 15, 1985. A schedule of maturities and interest payable for these bonds is presented on page 36.

A statement of Direct and Overlapping Bonded Debt applicable to the District is presented in Table 5 on page 34. The District's share of authorized and unsold bonds, and State school aid repayable as of September 30, 1978 (the latest data available) is presented at the bottom of this page.

Share of Authorized and Unsold Bonds:

| | |
|--------------------------------------|-------------|
| Santa Clara County | \$ 556 |
| City of Cupertino (Water Revenue) \$ | 1,008 |
| Cupertino Union School District | \$ 544,804 |
| City of Los Altos (Water) | \$2,701,111 |
| City of Mountain View | \$1,747,650 |

| | |
|-------------------------------------|-------------|
| Mountain View School District | \$2,535,000 |
| City of Santa Clara | |
| (Sewer Revenue) | \$ 110,400 |
| City of Sunnyvale | \$ 618,443 |
| Whisman School District | \$ 943,270 |

State School Aid Repayable as of 9/30/78 \$9,281,946

Table 5

EL CAMINO HOSPITAL DISTRICT

Statement of Direct and Estimated Overlapping Bonded Debt^①

| | |
|--|------------------------------|
| Population (April 1979 estimate) | 160,000 ^② |
| 1978/79 Assessed Valuation | \$1,227,723,072 |
| Estimated Market Value | \$4,910,892,288 ^③ |

| | Percent Applicable | Debt Applicable August 1, 1979 ^④ |
|--|-----------------------|---|
| Santa Clara County | 18.533% | \$ 6,470,796 |
| Santa Clara County Building Authorities | 18.533 | 8,412,128 |
| Santa Clara Valley Water Conservation District | 19.413 | 93,182 |
| Santa Clara Flood Control & WCD, Zone NC-1 | 20.786 | 1,965,316 |
| Santa Clara Flood Control & WCD, Zone NW-1 | 50.487 | 898,163 |
| Santa Clara Flood Control & WCD, Zone W-1 | 18.534 | 6,852,946 |
| Bay Area Pollution Control Authority | 4.853 | 59,255 |
| Foothill Community College District (Various Issues) | 50.728-50.782 | 6,092,061 |
| Palo Alto Unified School District (Various Issues) | 4.427-4.472 | 385,466 |
| Fremont Union High School District (Various Issues) | 42.401-48.979 | 4,196,110 |
| Mountain View Union High School District (Various Issues) | 97.946-98.021 | 1,116,950 |
| Cupertino Union School District (Various Issues) | 16.867-17.979 | 1,125,671 |
| Los Altos School District (Various Issues) | 97.343-97.612 | 879,232 |
| Mountain View School District (Various Issues) | 100. | 1,076,000 |
| Sunnyvale School District (Various Issues) | 85.121-86.410 | 2,652,704 |
| Other School, Unified and High School Districts | Various | 821,046 |
| City of Los Altos | 99.672 | 1,579,801 |
| City of Mountain View | 99.980 | 17,970,405 |
| City of Mountain View Authorities | 99.980 | 1,794,641 |
| City of Sunnyvale | 72.758 | 6,652,263 |
| City of Sunnyvale Authorities | 72.758 | 16,225,034 |
| Other Cities and City Authorities | Various | 512,383 |
| Purissima Hills Co. Water and Improvement District No. 1 | 77.488-93.463 | 453,324 |
| Other Special Districts | Various | 20,345 |
| El Camino Hospital District | 100. | 1,475,000 |
| Santa Clara County-El Camino Hospital District Hospital Facilities Authority | 100. | 5,400,000 |
| Total Gross Direct and Overlapping Bonded Debt | | \$95,180,222 |
| Less self-supporting debt: Santa Clara Co. FC and WCD, Zone W-1 | | 6,852,946 |
| Santa Clara Valley Conservation Dist. | | 93,182 |
| City water, utility, sewer, hospital and parking bonds | | 6,320,310 |
| Total Net Direct and Overlapping Bonded Debt | | \$81,913,784 |

| | Ratio To | | |
|------------------------|----------------------------------|------------------------------|---------------|
| | 1978/79 Assessed Valuation | Estimated Market Value | Per Capita |
| Direct Debt | .56% | .14% | \$ 43 |
| Gross Total Debt | 7.75 | 1.94 | 595 |
| Net Total Debt | 6.67 | 1.67 | 512 |

① Prepared in cooperation with California Municipal Statistics, Inc.; ② Sources: El Camino Hospital District, Health and Welfare Agency of the State of California, and State Department of Finance; ③ Based on assessed valuations reportedly at 25% of market value; ④ Excludes revenue bonds, tax allocation bonds of redevelopment agencies and special assessment bonds. Excludes sales and repayments, if any between June 1, 1979 and August 1, 1979.

EL CAMINO HOSPITAL DISTRICT**Schedule of Leased Equipment****As of June 30, 1979**

| Equipment Description | Original Principal | Date | Term | Annual Payments | Interest Rate | Unamortized Principal at 6/30/79 |
|------------------------------|--------------------|------------|---------|------------------|---------------|----------------------------------|
| Radiology Equipment | \$1,648,479 | March 1976 | 7 Years | \$292,164 | 6.5 % | \$ 950,899 |
| Radiology Equipment | 126,000 | June 1976 | 7 Years | 22,332 | 6.5 % | 77,035 |
| Radiology Equipment | 362,100 | April 1977 | 7 Years | 62,904 | 5.871 % | 258,575 |
| Radiotherapy Equipment | 338,488 | June 1977 | 7 Years | 59,832 | 6.625 % | 242,130 |
| Radiology Equipment | 274,071 | Nov. 1977 | 7 Years | 47,604 | 5.871 % | 219,428 |
| Radiology Equipment | 271,250 | Nov. 1978 | 7 Years | 46,944 | 5.75 % | 248,659 |
| | <u>\$3,020,388</u> | | | <u>\$531,780</u> | | <u>\$1,996,726</u> |

Note: All leases are fully amortized. The equipment is capitalized and depreciated. Any remaining balance may be paid at any time without penalty.

Source: District financial records.

EL CAMINO HOSPITAL DISTRICT**Bonded Indebtedness as of June 30, 1979****Schedule of Maturities and Interest Payable**

| Maturity Date | Series A ^① | | Series B ^① | | Debt Service | | |
|---------------|-----------------------|-------------|-----------------------|--------------|----------------|--------------|----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Total |
| 4/15/80 .. | \$115,000.00 | \$15,812.50 | \$ 150,000.00 | \$ 25,125.00 | \$ 265,000.00 | \$ 40,937.50 | \$ 305,937.50 |
| 4/15/81 .. | 115,000.00 | 11,902.50 | 150,000.00 | 20,250.00 | 265,000.00 | 32,152.50 | 297,152.50 |
| 4/15/82 .. | 115,000.00 | 7,992.50 | 150,000.00 | 15,375.00 | 265,000.00 | 23,367.50 | 288,367.50 |
| 4/15/83 .. | 115,000.00 | 4,082.50 | 150,000.00 | 10,275.00 | 265,000.00 | 14,357.50 | 279,357.50 |
| 4/15/84 .. | 115,000.00 | 57.50 | 150,000.00 | 5,175.00 | 265,000.00 | 5,232.50 | 270,232.50 |
| 4/15/85 .. | | | 150,000.00 | 75.00 | 150,000.00 | 75.00 | 150,075.00 |
| Total | \$575,000.00 | \$39,847.50 | \$ 900,000.00 | \$ 76,275.00 | \$1,475,000.00 | \$116,122.50 | \$1,591,122.50 |

^① Issue of 1964.

Source: District financial records.

THE DISTRICT AND ITS ECONOMY

The El Camino Hospital District is located in a highly developed urban area of northern Santa Clara County. The District's geographic center is about 35 miles southeast of San Francisco and 380 miles north of Los Angeles. Covering approximately 48 square miles, the District serves the City of Mountain View, the City of Los Altos, the City of Los Altos Hills, about 60 percent (population) of the City of Sunnyvale, minor portions of the Cities of Palo Alto, Santa Clara, and Cupertino, and certain unincorporated areas. Present District population is estimated at 160,000 persons.

Santa Clara County is the leading industrial county of the San Francisco Bay Area. Much of this manufacturing development has taken place in the District and surrounding area, with particular emphasis on missile and aerospace components, special machinery, instruments, and electronics. National firms with substantial operations in the District include Lockheed Missiles and Space Company, Fairchild Camera and Instruments Corporation, Westinghouse Electric Corporation, Signetics Corporation, Western Electric Company, GTE Sylvania, Inc., General

Electric Company, United Technologies, and Control Data Corporation.

Outstanding transportation facilities link the District to other industrial, commercial and distribution centers in the Bay Area, California, and western areas. San Francisco International Airport is approximately 20 miles north and San Jose Municipal Airport about 10 miles south of the District. Also conveniently accessible via freeway are Oakland International Airport and the ports of San Francisco, Oakland, and Redwood City.

The District has a well-balanced economy, with substantial services and government employment to supplement manufacturing payrolls. In the government category are the U.S. Naval Air Station at Moffett Field, NASA's Ames Research Center in Mountain View, and the adjacent Satellite Control Center of the U.S. Air Force. These federal installations employ more than 3,800 civilians.

The District is an important part of the San Jose Metropolitan Area (Santa Clara County). Although still closely tied to the San Francisco-Oakland urban complex, the San Jose SMSA is rapidly developing its own distinct regional economy. Santa Clara County is described in another section of this Official Statement (page 48).

Population and Social Characteristics

As noted previously, the District serves the cities of Mountain View, Los Altos, and Los Altos Hills and the greater part of the City of Sunnyvale. Population trends in these cities are shown below.

City Population Data

| City | 1940 | 1950 | 1960 | 1970 | 1975 | 1979 |
|------------------------------|-------|-------|--------|--------|---------|---------|
| Mountain View | 3,946 | 6,563 | 30,889 | 54,304 | 55,095 | 56,300 |
| Sunnyvale ^① | 4,373 | 9,829 | 52,898 | 95,408 | 102,154 | 106,600 |
| Los Altos | ② | ② | 19,696 | 24,726 | 26,260 | 26,800 |
| Los Altos Hills | ③ | ③ | 3,412 | 6,865 | 6,993 | 7,450 |

① Five Census Tracts in the City of Sunnyvale outside the District boundaries had an estimated total population of 39,000 in 1970 and 41,500 in 1975.

② Incorporated 1952.

③ Incorporated 1956.

Source: Decennial data, U.S. Census Bureau; Special 1975 Census; January 1, 1979 estimates by State Department of Finance.

The District's rate of population growth was particularly rapid in the fifties and sixties, exceeding that of the county. In the decade of the seventies, District population gain has moderated substantially, and future growth is expected to be at a still lower rate because of the area's mature stage of development.

Los Altos and Los Altos Hills are heavily oriented towards the single-family detached house, while in Mountain View and Sunnyvale more than one half of all housing units are multi-family units or mobile homes. Mountain View has a relatively high share (50%) of units in high-density buildings, while Sunnyvale has a proportionately larger share of mobile homes. The tabulation below presents a breakdown of housing by type of unit in the four principal cities served by the District, based

on information provided by the State Department of Finance.

There is a considerable diversity of home values and life styles in the District. In 1978, the average value of building permits for single-family homes ranged from \$56,903 in Sunnyvale to \$172,917 in Los Altos Hills. Within this range were Mountain View (\$61,500) and Los Altos (\$64,528). These permit valuations do not include the value of land. For multi-family housing, average unit permit values were \$41,203 in Mountain View and \$27,582 in Sunnyvale. There was very little multiple unit activity in Los Altos last year, and none in Los Altos Hills.

Los Altos Hills has the highest median household income in Santa Clara County, according to

Housing Units by Type in Cities Served by the District

| Year | Single Units | 2-4 Units | 5 or More Units | Mobile Homes | Total Housing Units | Percent Single Family |
|-------------------------|-----------------|--------------|--------------------|-----------------|---------------------------|-----------------------------|
| City of Mountain View | | | | | | |
| 1970 | 9,214 | 2,140 | 9,907 | 1,099 | 22,360 | 41.2% |
| 1975 | 8,414 | 3,594 | 13,266 | 1,237 | 26,511 | 31.7 |
| 1976 | 8,478 | 3,602 | 13,325 | 1,262 | 26,667 | 31.8 |
| 1977 | 8,868 | 3,604 | 13,492 | 1,264 | 27,228 | 32.6 |
| 1978 | 9,032 | 3,651 | 13,935 | 1,253 | 27,871 | 32.4 |
| City of Sunnyvale | | | | | | |
| 1970 | 19,130 | 3,481 | 7,053 | 2,035 | 31,699 | 60.3 |
| 1975 | 20,541 | 4,731 | 11,355 | 3,374 | 40,001 | 51.4 |
| 1976 | 20,832 | 4,759 | 12,488 | 3,708 | 41,787 | 50.0 |
| 1977 | 21,317 | 4,815 | 13,249 | 3,964 | 43,345 | 49.2 |
| 1978 | 21,480 | 4,867 | 13,579 | 4,132 | 44,058 | 48.8 |
| City of Los Altos | | | | | | |
| 1970 | 7,192 | 289 | 385 | 0 | 7,866 | 91.4 |
| 1975 | 8,022 | 427 | 481 | 0 | 8,930 | 89.8 |
| 1976 | 8,095 | 438 | 520 | 0 | 9,053 | 89.4 |
| 1977 | 8,151 | 438 | 546 | 0 | 9,135 | 89.2 |
| 1978 | 8,429 | 450 | 546 | 0 | 9,425 | 89.4 |
| City of Los Altos Hills | | | | | | |
| 1970 | 1,858 | 29 | 15 | 4 | 1,906 | 97.5 |
| 1975 | 2,004 | 37 | 30 | 4 | 2,075 | 96.6 |
| 1976 | 2,073 | 37 | 30 | 4 | 2,144 | 96.7 |
| 1977 | 2,136 | 37 | 30 | 4 | 2,207 | 96.8 |
| 1978 | 2,227 | 37 | 30 | 4 | 2,298 | 96.9 |

Source: State Department of Finance.

the April 1975 Special Census conducted by the County Planning Department. Approximately 69 percent of all households in the city reported annual household incomes over \$24,000. The distribution of median household income among the District's four principal cities is shown below.

1975 Special Census

| City | Median Household Income | Rank in County | Percent of Families With Annual Incomes Over \$24,000 |
|-------------------------|-------------------------|----------------|---|
| Los Altos Hills | \$30,893 | 1 | 68.8% |
| Los Altos | 22,949 | 4 | 46.4 |
| Sunnyvale | 14,912 | 8 | 17.3 |
| Mountain View . . . | 12,790 | 15 | 12.4 |

Source: County Planning Department.

The number of persons per household in each city followed the same order shown above, with 3.41 in Los Altos Hills, 2.97 in Los Altos, 2.68 in Sunnyvale, and 2.19 in Mountain View. This indicates that there are comparatively more single persons and childless couples in Mountain View than in the other three communities. Age data bear this out, also. In Mountain View, 65 percent of all residents were in the 20-59 age group, compared with 58 percent in Sunnyvale and 54 percent in the other two cities. Los Altos Hills had the highest proportion of persons under 20 (38%) and the lowest share of those aged 60 or more (8%) in the special census.

The 1978 Survey of Buying Power (Sales Management) provides more recent family income estimates for Mountain View and Sunnyvale. According to this source, median household effective buying income (1977 income) was \$19,249 in Mountain View and \$21,545 in Sunnyvale, compared with a countywide median of \$20,421. In each city, over 65 percent of all households have annual incomes exceeding \$15,000, the survey reports.

Employment

Residents of the District are employed in Santa Clara, Alameda, San Mateo, and San Francisco Counties, with a substantial number commuting to San Francisco each work day via train, bus, and

automobile. However, most employed residents work in the area extending from Palo Alto south to San Jose, in Santa Clara County.

The San Jose Labor Market, as defined by the State Employment Development Department, embraces all of Santa Clara County. This area is a highly developed industrial, research, and educational center of employment for a labor force that ranks well above the average in educational attainment and income.

Among the nine Bay Region counties, Santa Clara County ranks first in manufacturing, retail trade, and local government employment, second in construction and personal services, and third in wholesale trade, finance occupations, and federal and state government jobs. The average annual income of industrial employees is among the highest in California and stems primarily from the high educational level and degree of skills required in the sophisticated electronics and computer industries.

The tabulation on page 40 presents annual labor force, employment, and unemployment data for the period 1975-78 in Santa Clara County. Between 1975 and 1978 the labor force increased over 117,000, while employment grew nearly 130,000. As a result, the rate of unemployment dropped from 9.5% in 1975 to 6% in 1978.

The distribution of wages and salary employment by major category for individual years is also shown in this tabulation. In 1978, over 33 percent of all wage and salary workers were employed in manufacturing plants, over 21 percent were in services, about 15 percent in retail trade, and approximately 14 percent in government jobs.

For the 1975-78 period, the fastest growing employment category was manufacturing, with 42,900 additional employees. Services was next with 30,900 job additions, followed by retail trade (17,100) and government (9,400). Most of the new government employees were hired at local government levels as an outgrowth of the federally funded CETA program. The future of the CETA program is uncertain, due to voter approval of Proposition 13 (see page 9).

As of March 1979, total civilian employment in the San Jose Labor Market had increased to 633,300, and the unemployment rate declined to

SANTA CLARA COUNTY

Civilian Labor Force, Employment, and Unemployment

Annual Averages, 1975-78

| | 1975 | 1976 | 1977 | 1978 |
|---|---------|---------|---------|---------|
| Civilian Labor Force ^① | 543,500 | 574,100 | 610,900 | 661,000 |
| Employment | 491,800 | 527,900 | 569,100 | 621,600 |
| Unemployment | 51,700 | 46,200 | 41,800 | 39,400 |
| Unemployment Rate | 9.5% | 8.1% | 6.8% | 6.0% |
| Wage and Salary Employment ^② : | | | | |
| Agriculture | 7,700 | 7,400 | 7,300 | 7,300 |
| Mining | 100 | 100 | 100 | 100 |
| Construction | 17,000 | 17,900 | 21,600 | 23,200 |
| Manufacturing | 153,800 | 164,700 | 172,300 | 196,700 |
| Transportation, Utilities | 17,900 | 18,100 | 18,400 | 19,600 |
| Wholesale Trade | 19,900 | 21,300 | 22,800 | 25,200 |
| Retail Trade | 71,400 | 76,100 | 79,300 | 88,500 |
| Finance, Insurance, Real Estate | 18,700 | 20,000 | 21,400 | 23,400 |
| Services | 97,300 | 106,100 | 114,600 | 128,200 |
| Government | 72,500 | 75,500 | 80,000 | 81,900 |
| Total Wage and Salary Employment | 476,300 | 507,200 | 537,800 | 594,100 |

① Based on place of residence.

② Based on place of work.

Source: State Employment Development Department.

5.5%. Nonagricultural wage and salary employment totaled 607,300, up from 570,500 in March 1978.

There are 81 establishments in Santa Clara County employing 1,000 or more persons, and 164 which employ 500 or more. Opposite is the distribution of employers by number of employees.

Industrial firms in Santa Clara County employing 500 or more persons are listed on page 41. Non-manufacturing and governmental organizations employing more than 1,000 persons include the City of San Jose, Santa Clara County, Stanford University, the Stanford Medical Center, El Camino Hospital, Pacific Gas and Electric Co., Pacific Telephone Co., San Jose State University, San Jose Unified School District, Cupertino Elementary School District, Palo Alto Unified School District, Ames Research Center (NASA) and the U.S. Naval Air Station at Moffett Field.

SANTA CLARA COUNTY

Employers by Number of Employees

Third Quarter 1978

| Number of Employees ^① | Number of Employers |
|----------------------------------|---------------------|
| 0-3 | 10,430 |
| 4-9 | 6,396 |
| 10-19 | 2,941 |
| 20-49 | 2,004 |
| 50-99 | 768 |
| 100-249 | 445 |
| 250-499 | 137 |
| 500-999 | 83 |
| 1,000 and Over | 81 |
| | 23,285 |

① Total 609,748, as of September 1978.

Source: State Employment Development Department.

SANTA CLARA COUNTY

Firms Employing 500 or More Persons

| Company | Product or Service |
|--|--|
| Over 2,000 Employees: | |
| Advanced Micro Devices, Inc., Sunnyvale* | Integrated circuits |
| Fairchild Camera & Instruments, Mountain View* | Electronic products |
| Ford Aerospace & Communications Corp., Palo Alto | Aerospace R & D, satellites |
| Ford Motor Company, Milpitas | Auto, truck assembly |
| FMC Corporation, San Jose | Food machinery |
| General Electric Company* | Nuclear power plants, space technology |
| Hewlett-Packard Co.* | Measuring instruments and equipment |
| Information Storage Systems, Cupertino | Computers |
| IBM, San Jose | Data processing systems |
| Lockheed Missiles & Space Co., Sunnyvale* | Missiles and space systems |
| Memorex Corp., Santa Clara | Magnetic tape |
| NASA, Ames Research Center, Mountain View* | Scientific research |
| National Semiconductor Corp., Santa Clara* | Electronic circuits |
| Pacific Telephone Co.* | Utility |
| Signetics Corp., Sunnyvale* | Electronic components |
| Stanford University, Stanford | University, basic research |
| Varian Associates, Palo Alto | Electronic equipment |
| Westinghouse Electric Corp., Sunnyvale* | Marine specialty products |
| 1,001-2,000 Employees: | |
| Amdahl Corp., Sunnyvale | Computer systems |
| American Micro Systems, Santa Clara | Electronic components |
| Atari, Inc., Sunnyvale and Santa Clara* | Electronic video systems |
| ESL Incorporated, Sunnyvale* | Electronic research and development |
| GTE Sylvania Inc., Mountain View* | Electronic systems group |
| Intel, Santa Clara* | Electronics |
| Northwest Publications, San Jose | Newspaper |
| Pacific Gas and Electric Co.* | Utility |
| San Jose Mercury-News, San Jose | Newspaper publisher |
| Syntex Laboratories, Inc., Palo Alto | Pharmaceuticals |
| Verbatim Corp., Sunnyvale* | Disk storage media |
| Watkins-Johnson Co., Palo Alto | Electronic components, accessories |
| Western Electric Co., Sunnyvale* | Communications equipment |
| 500-1,000 Employees: | |
| Acurex Corp., Mountain View* | Measurement fields |
| Advanced Micro Devices, Inc., Sunnyvale* | Integrated circuits |
| American Bakeries, Inc., San Jose | Bakery |
| Arcata Graphics, Inc., San Jose | Printing |
| Barnes-Hind Pharmaceuticals, Sunnyvale* | Pharmaceuticals |
| Beckman Instruments Inc., Palo Alto | Precision instruments |
| Beech Nut Inc., San Jose | Gum and candy |
| Burke Industries Inc., San Jose | Rubber products |
| California Cannery & Growers* | Canned fruits and vegetables |
| California Microwave Inc., Sunnyvale* | Electronic equipment |
| Castle & Cooke Foods, San Jose | Food processing |
| Del Monte Corp., San Jose | Canned fruits and vegetables |
| Electronic Design & Development, Santa Clara | EDP software |
| Fairchild Systems Technology, San Jose | Computerized test equipment |
| Gilroy Foods, Inc., Gilroy | Dehydrated onions, garlic |
| Intersil Inc., Cupertino | Semiconductors |
| Itek Corporation, Sunnyvale* | Electronic components |
| ITT-Jennings Div., San Jose | Electronic components |
| Libby, McNeil & Libby, Sunnyvale* | Food processing |
| Litronix, Inc., Cupertino | Electronic semiconductors |
| Owens-Corning Fiberglas Corp., Cupertino | Fibreglass insulation |
| Plantronics, Inc., Santa Clara | Data and telecommunications equipment |
| Raytheon Co., Mountain View* | Semiconductors |
| Siliconics, Inc., Santa Clara | Semiconductors |
| Spectra-Physics, Inc., Mountain View* | Laser instruments |
| Sun Garden Packing Co., San Jose | Canned fruits |
| Teledyne Semiconductor, Mountain View* | Microwave equipment |
| United Technologies, Sunnyvale* | Chemical systems division |
| Vidar Corp. (TRW), Mountain View* | Electronics |

*Located in the District, or has substantial operations in the District.

Source: Community Profiles and personal contact by Stone & Youngberg Municipal Financing Consultants, Inc.

District Employment and Industry

The growth and nature of employment in the District has tended to parallel that of Santa Clara County. As in the case of the county, manufacturing, government, and services are major sources of employment. Within the District are over 600 manufacturing firms employing more than 40,000 persons. Leading manufacturing activities include electronics, missile and space components, electrical equipment, food processing, containers, chemicals, pharmaceuticals, and paper products. Nationally recognized research facilities at NASA's Ames Research Center, United Technology Center, and at nearby Stanford University have fostered the formation of local companies and the development of products to enhance the area's technological capabilities.

Local electronics firms in and near the District design and manufacture highly technical products such as test equipment, lasers, magnetic recording devices, microprocessors, medical instruments semiconductor components, minicalculators, digital watches, and electronic measuring devices.

Lockheed Missiles and Space Company, the largest single employer in Santa Clara County and in the District, presently employs over 16,000 persons at its Sunnyvale facilities. The Lockheed complex represents a diversity of research and production facilities. The company has developed and is producing some of the nation's most vital systems for research and national defense—the Agena Satellite and the Polaris/Poseidon ballistic missiles. It is currently developing the Trident missile system as the successor to the Poseidon, and the SEASAT ocean survey satellite.

Hewlett-Packard Co., employing 31,000 people in seven states and six foreign countries, is the second largest industrial employer in Santa Clara County. An estimated 11,700 Santa Clara County employees produce computers, calculators, and electronic instruments at plants in Mountain View, Sunnyvale, Palo Alto, Cupertino, and Santa Clara. Other California plants are located at San Diego and Santa Rosa. A San Jose plant of the firm's Semi-Conductor Division is nearing completion. Hewlett-Packard was established in Santa Clara County more than 25 years ago, and maintains world headquarters at Palo Alto.

Fairchild Camera and Instrument Corporation directs worldwide activities from corporate headquar-

ters in Mountain View. Total company employment is 20,000. An estimated 4,000 workers at local plants produce semiconductor components, integrated circuits, diodes, sensors, and a variety of highly engineered products. In addition to the Mountain View facilities, Fairchild operates plants at Palo Alto, Santa Clara, and San Jose.

The Marine Division of Westinghouse Electric Corporation at Sunnyvale employs approximately 2,100 in facilities covering more than 1,300,000 square feet. These facilities serve commercial and military markets as a complete production entity with capability ranging from the design to the complete manufacture of marine propulsion systems. Major commercial shipping firms have installed the Division's propulsion systems. Marine propulsion systems manufactured by the Division are also used on United States Navy aircraft carriers, missile cruisers and destroyers, nuclear submarines and guided missile escort ships.

The Pacific Region Headquarters of Western Electric Company, Inc. is located in Sunnyvale. With a payroll of 1,900, the Sunnyvale facility serves as the company's administrative and engineering center for the western area. Complete engineering work is done for the manufacture and installation of telephone equipment for the American Telephone and Telegraph Company and subsidiaries: Pacific Telephone Company and Telegraph Co., Pacific Northwest Bell Telephone Co., Bell Telephone Company of Nevada, and the Longlines Department of the American Telephone and Telegraph Company.

Signetics Corporation, with worldwide employment of 8,100 and more than 1,900 at its Sunnyvale operations, produces integrated solid state microcircuits in District plants.

GTE Sylvania Inc. employs 1,800 at the Electronic Systems Group Western Division facilities in Mountain View. The firm's products include lighting, photolamps, electronic systems, and metallurgical materials.

General Electric Company plants and laboratories in Santa Clara County employ a total in excess of 5,900. At Sunnyvale are the Breeder Reactor Operation and Aerospace Programs, both located within the District. Additional facilities are located at Palo Alto, Campbell, and San Jose.

NASA, Ames Research Center. With 1,800 employees at its Mountain View facility, Ames ranks as one of the largest employers in the area. The Center carries on vital work in space and life science re-

search and development. A large wind tunnel is available for testing of aircraft and spacecraft configurations. Ames also houses the USAF Satellite Control Center and the Army's Air Mobility Research and Development Laboratory. The adjacent U.S. Naval Air Station at Moffett Field employs about 1,700 civilians.

In recent years a growing number of firms engaged in scientific research and development, information technology, electronic data processing, and the communications industries have located in the District. Representative firms within these industries include: Applied Technology, Inc., Division of Itek Corporation; Control Data Corporation; Chemical Systems Division of United Technologies, Inc.; Ampex Corporation; ISS (Sperry Univac); ESL Inc.; Raytheon Co.; Vidar, a division of TRW, Inc.; Teledyne; Dictaphone Corp.; Acurex Corp.; and Spectra-Physics, Inc.

Other firms in the District are Ferry-Morse Seed Co.; Atari, Inc.; Smith Kline Instruments, Inc.; California Cannery and Growers; Libby McNeill & Libby; Barnes-Hind Pharmaceuticals; National Can Corp.; and Boise-Cascade Corp.

Industrial Parks

There are several major industrial parks in the District. The most active and rapidly growing of these at present is Moffett Industrial Park occupying 600 acres north of State Highway 237 in Sunnyvale. Originally established by Moffett Park Association in 1962, the industrial land was acquired in 1972 by Prudential Insurance Co., which added 53 acres to the original holdings. Prudential has over 500,000 square feet of buildings under construction, or recently completed. About one-third of this is manufacturing space; the balance is devoted to warehousing and research and development. Principal tenants are Lockheed, Atari, Northern Telecom, Intel, Design Optics, ESL, Control Data, Stereo West, General Electric, Vidar and Bendix.

New Construction

During the five years ending in 1978, annual building permit valuation averaged \$29 million in Mountain View, \$74.5 million in Sunnyvale, \$8.1 million in Los Altos, and \$9.1 million in Los Altos Hills. In Mountain View, residential valuation accounted for slightly more than one-half of total permit valuation during the five-year period. Non-residential valuation was predominant in Sunnyvale,

representing over 70 percent of aggregate permit valuation in that city for the period. In 1978, Sunnyvale issued building permits for new commercial construction valued at more than \$40 million, and industrial permits for new construction valued in excess of \$45 million. Much of this non-residential activity was centered in the new Sunnyvale Town Center, a major regional shopping center now under construction.

In both Los Altos and Los Altos Hills, single family houses generally account for the bulk of building permit valuation. A breakdown of building permit valuation in each of the four cities since 1974 is presented on page 44.

Commerce

At present there is no regional shopping center in the District. There are many small to medium size shopping areas providing a wide variety of goods and services. Probably the best known are Mayfield Mall, anchored by a J.C. Penney department store, the San Antonio Shopping Center, anchored by a Liberty House department store, and the new Old Mill Specialty Center, featuring a unique blend of restaurants, theaters, shops, and entertainment. A Sears department store is located in Mountain View at El Camino Real and San Antonio Road, in the vicinity of the above commercial centers.

Construction is well under way on a new major regional shopping center, the Sunnyvale TownCenter, located in the District immediately northeast of the Sunnyvale Civic Center. Covering 36 acres and eight city blocks, the \$60 million commercial complex is scheduled to open in the fall of 1979. It is a project of Ernest W. Hahn, Inc. and Macy's of California. Anchor tenants are three department stores—Macy's, Montgomery Ward, and a third to be selected. An air-conditioned mall forms the core of the center, with about 100 supporting establishments. Parking for 3,400 cars is provided, including 1,300 spaces in a parking deck. It is estimated that 2,000-2,500 employees will be required to staff the Sunnyvale TownCenter at full development.

Taxable transactions since 1974 in each of the four cities are shown on page 45. Increases in taxable sales during the 1974-78 period ranged from 63 percent in Los Altos and Mountain View to 112 percent in Los Altos Hills.

Building Permit Valuation in Cities Served by the District, 1974-78
(Thousands of Dollars)

| Year | Residential Valuation | Nonresidential Valuation | Total Valuation | Number of New Housing Units | | |
|-------------------------|--------------------------|-----------------------------|--------------------|-----------------------------|----------|-------|
| | | | | Single | Multiple | Total |
| City of Mountain View | | | | | | |
| 1974 | \$ 6,759 | \$ 9,642 | \$ 16,401 | 76 | 200 | 276 |
| 1975 | 4,119 | 8,681 | 12,800 | 20 | 65 | 85 |
| 1976 | 15,422 | 18,952 | 34,374 | 158 | 169 | 327 |
| 1977 | 25,794 | 17,756 | 43,550 | 112 | 490 | 602 |
| 1978 | 23,189 | 14,449 | 37,638 | 208 | 207 | 415 |
| City of Sunnyvale① | | | | | | |
| 1974 | 13,887 | 24,079 | 37,966 | 149 | 629 | 778 |
| 1975 | 20,879 | 33,722 | 54,601 | 196 | 684 | 880 |
| 1976 | 33,702 | 34,017 | 67,719 | 475 | 610 | 1,085 |
| 1977 | 16,183 | 58,178 | 74,361 | 194 | 346 | 540 |
| 1978 | 19,591 | 118,262 | 137,853 | 227 | 91 | 318 |
| City of Los Altos | | | | | | |
| 1974 | 8,301 | 2,413 | 10,714 | 139 | 75 | 214 |
| 1975 | 3,836 | 461 | 4,297 | 58 | 11 | 69 |
| 1976 | 5,315 | 2,963 | 8,278 | 54 | 9 | 63 |
| 1977 | 5,093 | 1,890 | 6,983 | 36 | 8 | 44 |
| 1978 | 5,570 | 4,588 | 10,158 | 36 | 7 | 43 |
| City of Los Altos Hills | | | | | | |
| 1974 | 4,480 | 673 | 5,153 | 42 | — | 42 |
| 1975 | 6,344 | 449 | 6,793 | 55 | — | 55 |
| 1976 | 7,525 | 797 | 8,322 | 65 | — | 65 |
| 1977 | 11,999 | 916 | 12,915 | 93 | — | 93 |
| 1978 | 11,655 | 900 | 12,555 | 60 | — | 60 |

① The District serves the greater part of Sunnyvale.

Source: *California Construction Trends*, Security Pacific Bank.

Financial Institutions

Thirteen banks with 40 local offices provide commercial banking services in the District. They are: Bank of America, Barclays Bank of California, California Canadian Bank, California First Bank, the

Chartered Bank of London, De Anza Bank, Crocker National Bank, Bank of the West, Foothill Bank, Lloyds Bank California, Security Pacific National Bank, United California Bank, and Wells Fargo Bank. In addition, 19 savings and loan associations operate one or more offices within the District.

Taxable Transactions

Cities Served by the District

(Thousands of Dollars)

| Year | Retail Outlets | | All Outlets | |
|--------------------------------|----------------|--------------|-------------|--------------|
| | Permits | Transactions | Permits | Transactions |
| City of Mountain View | | | | |
| 1974 | 577 | \$206,738 | 1,646 | \$301,904 |
| 1975 | 605 | 225,852 | 1,768 | 321,618 |
| 1976 | 620 | 251,452 | 1,872 | 360,019 |
| 1977 | 693 | 292,242 | 2,001 | 426,019 |
| 1978 | 706 | 326,850 | 2,045 | 492,629 |
| City of Sunnyvale ^① | | | | |
| 1974 | 624 | 212,773 | 1,968 | 322,272 |
| 1975 | 664 | 236,166 | 2,116 | 336,392 |
| 1976 | 695 | 265,500 | 2,308 | 389,384 |
| 1977 | 719 | 327,019 | 2,407 | 482,679 |
| 1978 | 720 | 369,738 | 2,560 | 570,548 |
| City of Los Altos | | | | |
| 1974 | 271 | 53,281 | 707 | 61,274 |
| 1975 | 274 | 56,940 | 768 | 65,203 |
| 1976 | 306 | 63,892 | 843 | 72,706 |
| 1977 | 317 | 74,797 | 893 | 83,579 |
| 1978 | 325 | 84,047 | 951 | 99,697 |
| City of Los Altos Hills | | | | |
| 1974 | 8 | 164 | 97 | 1,415 |
| 1975 | 7 | 113 | 107 | 1,668 |
| 1976 | 11 | 220 | 132 | 2,126 |
| 1977 | 19 | 272 | 164 | 2,664 |
| 1978 | 21 | 565 | 181 | 2,996 |

① Partially served by District.

Source: State Board of Equalization.

Transportation

Convenient freeway, rail, air, and seaport facilities of the San Francisco Bay Area provide District industries with ready access to regional, national, and international markets.

U.S. 101 (Bayshore Freeway), a major north-south highway between San Francisco and Los Angeles, traverses the northern part of the District. This freeway leads to the deep-water ports at San Francisco and Redwood City as well as the air passenger and cargo facilities of San Francisco International and San Jose Municipal Airports. Interstate 280 (Junipero Serra Freeway) traverses the southern limits of the District, providing an alternate link between San Francisco and San Jose. Joining these two freeways is State Highway 85 (Stevens Creek Freeway), which bisects the District.

State Highway 82 (El Camino Real) provides additional north-south traffic circulation. State Highway 237 (Mountain View-Alviso Road) connects the District with Interstate Highway 680 and State Highway 17, principal routes leading to the Port of Oakland, Oakland International Airport, and distribution facilities of the East Bay. The District is also served by expressways to expedite intracounty movement to and from industrial and other employment centers.

Rail lines of Southern Pacific Transportation Company serve the major industrial parks and manufacturing centers of the District. Sunnyvale and Mountain View have stations on the San Francisco-San Jose rail commuter line. The area is served by 65 common motor carriers which are capable of providing overnight delivery to Los Angeles and second morning's delivery to San Diego, points in the Pacific Northwest, and as far east as Salt Lake City.

Bus service throughout the Santa Clara Valley is provided by the Santa Clara County Transit District, which connects with the San Mateo County Transit District (SamTrans) at Palo Alto and Menlo Park. Service is also provided to AMTRAK, all Southern Pacific depots in Santa Clara County, Greyhound in San Jose, and San Jose Municipal Airport.

The Palo Alto Airport, located about three miles north of the District, provides general aviation and charter facilities.

Education

Public educational instruction in the elementary grades within the District is provided by the Los Altos Elementary, Mountain View Elementary, Whisman Elementary, Cupertino Union Elementary, and Sunnyvale Elementary School Districts. Instruction in the secondary grades is provided by the Mountain View-Los Altos Union High School District and the Fremont Union High School District. Minor portions of the District are served by the Palo Alto Unified School District and the Santa Clara Unified School District, both of which offer instruction from kindergarten through high school.

Enrollment in the elementary grades has generally been declining since 1975. Shown below are enrollment figures for selected years in the principal school districts serving District residents.

| School District | Enrollment | | |
|--|------------|--------|--------|
| | 1960 | 1975 | 1978 |
| Los Altos Elementary ... | 5,705 | 4,319 | 3,733 |
| Mountain View Elementary | 3,191 | 3,221 | 2,795 |
| Whisman Elementary ... | 2,287 | 2,407 | 2,340 |
| Cupertino Union Elementary | 11,035 | 20,758 | 18,350 |
| Sunnyvale Elementary ... | 8,647 | 8,273 | 7,400 |
| Mountain View-Los Altos Union High | 3,157 | 4,517 | 4,419 |
| Fremont Union High | 4,225 | 13,894 | 14,304 |

Source: Santa Clara County Planning Department.

Four community college districts in the county administer seven campuses with a combined total enrollment of 73,709 and 19,040 full-time students in the Fall of 1978. These two-year institutions are: DeAnza College, Cupertino; Foothill College, Los Altos Hills; Gavilan College, Gilroy; San Jose City College, San Jose; Evergreen Valley College, San Jose; West Valley College, Saratoga; and Mission College, Santa Clara. The latter is presently under construction at a site north of U.S. 101, adjacent to the District's eastern boundary.

Within a few miles of the District are outstanding colleges and universities. At neighboring Palo Alto is Stanford University, one of the nation's foremost

centers of education in engineering, law, medicine, and business. The University of Santa Clara, a Jesuit school with a Fall 1978 enrollment of 7,059, is the oldest institution of higher education in the West, tracing its founding to 1851.

San Jose State University, enrolling approximately 15,000 full-time students, has the third highest enrollment of the 19 institutions in the California State University and College System. Situated on 64 acres in downtown San Jose, it is the state's oldest public supported institution, having opened its doors in 1857.

Located within a 50-mile radius of the District are the University of California at Berkeley, University of California at Santa Cruz, St. Mary's College, Mills College, the University of San Francisco, and the San Francisco and Hayward campuses of the State University and College System.

City of Mountain View

The City of Mountain View covers approximately 11 square miles in the western part of the District, adjacent to Palo Alto. The city was incorporated as a general law city in 1902, and became a chartered city in 1952.

Mountain View adopted the council-manager form of government in 1956. Seven Council members are elected at large to serve four-year terms. The Council appoints the City Manager, who serves at the pleasure of the Council.

The Police Department has 92 full-time personnel, including 67 sworn officers. The Fire Department has 72 employees and includes a rescue unit. The city maintains a Municipal Library, a Water Department, and a Parks and Recreation Department. Sanitary sewerage disposal is effected through a \$11.5 million regional facility constructed by the Cities of Mountain View, Palo Alto, and Los Altos.

A \$4.5 million combination Police-Fire building of 35,000 square feet is under construction at Villa and Franklin Streets, in the downtown area. The new building will house the headquarters of the Fire Department and certain police operations.

Three local developers have announced plans for approximately 2,000,000 square feet of residential, industrial, and office space at a location north of U.S. 101, an area presently devoted to agricultural operations. The developers are Real Property Associates, Thrust IV Homes, and Peery & Arrillaga, all well-known in local business circles.

Shoreline Regional Park will be constructed by the City of Mountain View on 690 acres at a location north of U.S. 101, extending to the shores of San Francisco Bay. At present solid waste disposal operations are being carried out at the site. A 22-hole golf course will be constructed as the first stage of development, with subsequent development oriented to self-supporting activities. The Park will be situated adjacent to the development described in the preceding paragraph.

City of Sunnyvale

The City of Sunnyvale was incorporated as a general law city in 1912. In 1949 a freeholders' charter was adopted which provided for the council-manager type of governmental structure. City limits cover about 23 square miles between Mountain View and Santa Clara. The southeastern quadrant of the city lies outside the boundaries of El Camino Hospital District.

The city is governed by a seven-member City Council whose members are elected at large for four-year overlapping terms. The mayor is selected by the council from its members annually. A City Manager is responsible for implementing the policies of the Council, and directly supervises eight departments.

The city's unique 203-member Public Safety Department is one of the few in the country whose officers are trained to serve as both firemen and policemen. Considerable economies in manpower, equipment, and facilities are effected through the combination of fire and police services. A new communications center, complete with computerized information systems, makes possible coordinated rapid response to fire and police emergencies. The department's facilities include a headquarters building and six fire stations. The city has a Class 3A rating for fire insurance rating purposes.

Sunnyvale's \$4 million Community Center was completed in 1973. Located on a 20.5 acre site with parking for 381 cars, the Center has four buildings housing a creative arts activity, a performing arts center, an indoor sports facility, and a general recreation center.

An addition to the main city library in 1971 has doubled its capacity. The existing book collection approximates 220,000 and annual circulation exceeds 700,000. The library's collection is augmented through cooperative arrangements with public libraries in the neighboring cities of Mountain View,

San Jose, Santa Clara and Santa Clara County. A U.S. Patent Library is maintained, the only "subject classified" patent library outside of Washington, D.C. The city library's book inventory and patron registration system is handled completely by computers in order to provide a full-on-line circulation and inventory control system.

Tertiary sewage treatment facilities have recently been constructed at the city's Water Pollution Control Plant. A federal and state grant paid for 87½ % of the cost for the \$12.8 million facility.

Sunnyvale's park and recreation facilities are exceptional. Existing facilities include 18-hole and 9-hole municipal golf courses, one 9-hole public course, 15 major neighborhood parks, five swim centers, and 60 tennis courts at 13 locations. An area of 400 acres, currently undeveloped, has been designated as a future Baylands Regional Park. This will be a county development, a portion of which will be located on land donated by the city.

City of Los Altos

The City of Los Altos was incorporated in 1952 as a general law city with the council-manager form of government. A five-member council is elected at large for four-year overlapping terms. The mayor, selected by the council from among its members, serves a one-year term. The city operates a Police Department, a Fire Department, and a Public Works Department. Two branch libraries of the Santa Clara County Library System are located within the city limits.

El Camino Real, a heavily traveled urban highway, forms the northern boundary of the city and is the location of many commercial establishments. The city is traversed by San Antonio Road and Foothill Expressway, both busy commercial thoroughfares. The Los Altos Golf and Country Club is private.

Town of Los Altos Hills

The Town of Los Altos Hills was incorporated in 1956 as a general law municipality. A five-member council appoints a City Manager to administer community affairs. Police and fire protection services are provided by the county. Sanitary services for most of the community are provided by the City of Los Altos, whose collection lines lead to a treatment plant at Palo Alto. This plant is operated by the Cities of Los Altos, Mountain View, and Palo Alto.

As indicated previously, residents of Los Altos Hills are generally well-educated, enjoy above average incomes, and live in expensive homes. The Los Altos Hills Country Club is private. Los Altos Hills is the home of Foothill College.

Santa Clara County

Santa Clara County covers approximately 1,302 square miles of land area in the southern part of the San Francisco Bay Region. It is the fourth largest county in California in terms of population.

Santa Clara is one of nine counties bordering San Francisco Bay. It leads all of them in population, manufacturing employment, total effective buying income, assessed value of taxable property, retail sales, number of telephones, residential construction, and public school enrollment. It ranks among the top Bay Area counties in virtually every other indicator of economic activity as well.

San Jose, the county seat and largest city (population 598,000) is located about 50 miles southeast of San Francisco. The next largest of the county's 15 cities are Sunnyvale (106,600), Santa Clara (83,900), Mountain View (56,300) and Palo Alto (54,500).

The San Jose Metropolitan Area (all of Santa Clara County) ranks among the leading metropolitan areas of the nation in virtually all measurements of urban development. An important element in the growth of the area is the fact that 68 percent of all households have net cash incomes exceeding \$15,000, highest of any metropolitan area in California. This reflects the prevailing level of education and vocational skills. In the essential economic determinants of population, employment, retail sales, and personal income, Santa Clara has been projected as the number one growth county through 1980 in Northern California by the Center for the Continuing Study of the California Economy (SRI International).

Santa Clara County has established a distinct regional identity as a center for research, commerce, industry, and finance. The Santa Clara Valley, which extends more than 20 miles south of San Jose, is an agricultural area known for mushrooms, tomatoes, grape production, and fine wines.

The climate of Santa Clara County is mild because of protection afforded by the Diablo Range on the east and the Santa Cruz mountains to the west. Mean July temperature is 49.2. Precipitation averages 13.1 inches per year.

County Government

Santa Clara County was incorporated February 18, 1850 as one of California's original counties, and utilizes the charter form of government. The governing body is a five-member Board of Supervisors who appoint a County Executive to administer day-to-day affairs. Supervisors are elected to represent specific geographic districts.

Population

As of January 1, 1979, the county's population was estimated at 1,235,300 by the State Department of Finance. This was 16 percent greater than the 1970 U.S. Census count, compared with a statewide population gain of 12.6 percent during the same interval.

The county's population more than doubled during the fifties. However, the county's rate of population gain has moderated considerably in recent years. The rate of population increase has consistently been greater than that of the State of California, as reflected in the following tabulation of Federal Census data since 1940.

Income

Santa Clara County ranks fourth among California counties in total personal income (after Los Angeles, Orange, and San Diego Counties), and fifth among the state's seventeen metropolitan areas. The U.S. Department of Commerce estimates the county's 1977 total personal income at \$10,508,300,000. Per capita personal income was \$8,666, compared with \$7,911 for the State of California.

The 1978 *Survey of Buying Power*, published by Sales & Marketing Management, reports Santa Clara

County in first place among Bay Area counties in net effective buying income, estimating the figure at \$9,470 billion for year-end 1977. This is \$7,695 per capita, compared with a statewide figure of \$6,650. Median household income of \$20,421 is sixth highest nationwide among metropolitan counties, and 30 percent above the median household income for the state. Over 34 percent of all county households have incomes exceeding \$25,000, according to this national survey.

The 1970 median home value of \$27,300 and median rental of \$143 per month in Santa Clara County, as reported in the 1970 Census of Housing, were the highest for any metropolitan area in California.

Industry

In the most recent (1975) Annual Survey of Manufactures conducted by the U.S. Department of Commerce, Santa Clara County ranked third among California's metropolitan areas in the important industrial indicators of number of employees in manufacturing establishments, total industrial payrolls, and value added by manufacture. In the latter measure, Santa Clara County plants added a total manufacturing value of \$4,134.8 million to basic products, compared with \$4,982 million in the second-place San Francisco-Oakland Metropolitan Area (Alameda, Contra Costa, Marin, San Francisco, and San Mateo Counties).

Santa Clara's more than 2,100 industrial plants represent only about one-fourth of all plants in the nine-county Bay Region, but account for over 45 percent of all factory workers and manufacturing payrolls. The tabulation on page 50 shows the distribution of employment and payrolls by industry in the county for the calendar year 1977.

Population Census Data

| Year | County of Santa Clara | Percent Change | State of California | Percent Change |
|------------|--------------------------|-------------------|------------------------|-------------------|
| 1940 | 174,949 | — | 6,907,387 | — |
| 1950 | 290,547 | 66.1% | 10,586,223 | 53.3% |
| 1960 | 642,315 | 121.1 | 15,717,204 | 48.5 |
| 1970 | 1,065,313 | 65.9 | 19,953,134 | 27.0 |

Source: U.S. Bureau of the Census.

SANTA CLARA COUNTY

Manufacturing Employment and Payrolls 1977

| Industry | Number of Employers | Number of Employees | Annual Wages |
|---|---------------------|---------------------|-----------------|
| Food Products | 113 | 13,724 | \$ 173,337,141 |
| Wood Products | 59 | 641 | 9,167,120 |
| Furniture and Fixtures | 56 | 812 | 8,261,160 |
| Paper Products | 25 | 1,669 | 27,168,430 |
| Printing and Publishing | 271 | 5,163 | 73,498,425 |
| Chemicals | 55 | 2,551 | 37,918,216 |
| Rubber and Plastic Products | 73 | 2,283 | 25,673,224 |
| Stone, Clay, Glass Products | 62 | 2,821 | 43,404,642 |
| Primary Metal Products | 33 | 750 | 11,831,762 |
| Fabricated Metal Products | 220 | 4,638 | 61,774,502 |
| Nonelectrical Machinery | 503 | 35,929 | 638,346,646 |
| Electric and Electronic Equipment | 389 | 62,970 | 948,058,977 |
| Transportation Equipment | 43 | 22,845 | 491,999,217 |
| Instruments | 167 | 16,806 | 285,280,819 |
| Other and Miscellaneous | 105 | 3,142 | 33,063,118 |
| Totals① | 2,174 | 176,744 | \$2,865,783,399 |

① All gainful employment except domestics and self-employed individuals.

Source: State Department of Employment Development.

Taxable Sales

Taxable transactions reported by Santa Clara County establishments in 1978 exceeded \$6.6 billion, more than 16 percent higher than 1977. Between 1974 and 1978 the number of outlets reporting retail sales increased over 22 percent, to

a total of 10,077. The number of non-retail establishments grew even faster, registering a gain of nearly 34 percent for the period. This reflects the rapidly developing industrial, commercial, and professional segments of the metropolitan area's economy. Taxable transactions for the past five years are summarized in the following tabulation.

SANTA CLARA COUNTY

Taxable Transactions

(Thousands of Dollars)

| Year | Retail Stores | | All Outlets | |
|------------|---------------|--------------|-------------|--------------|
| | Permits | Transactions | Permits | Transactions |
| 1974 | 8,224 | \$2,603,072 | 24,257 | \$3,781,550 |
| 1975 | 8,600 | 2,841,644 | 26,292 | 4,061,592 |
| 1976 | 9,135 | 3,272,793 | 28,342 | 4,716,474 |
| 1977 | 9,939 | 3,903,867 | 31,145 | 5,729,657 |
| 1978 | 10,077 | 4,419,630 | 31,532 | 6,671,475 |

Source: State Board of Equalization.

Construction

In 1978, the total valuation of building permits issued by various jurisdictions in the county approached one billion dollars, almost evenly divided

between residential and non-residential construction. The history of permit valuations since 1974 is shown below.

SANTA CLARA COUNTY

Value of Building Permits (Dollars in Thousands)

| | 1974 | 1975 | 1976 | 1977 | 1978 |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Residential Valuation: | | | | | |
| New units | \$236,569 | \$243,027 | \$463,171 | \$479,750 | \$440,900 |
| Alterations and additions | 19,702 | 26,879 | 34,277 | 44,972 | 53,387 |
| Subtotal | \$256,271 | \$269,906 | \$497,448 | \$524,722 | \$494,287 |
| Non-residential Valuation: | | | | | |
| New commercial | \$ 91,372 | \$ 69,047 | \$ 53,259 | \$109,266 | \$139,219 |
| New industrial | 82,634 | 78,271 | 86,883 | 155,444 | 228,646 |
| Alterations and additions | 22,580 | 26,210 | 30,740 | 34,860 | 69,495 |
| Other | 47,198 | 54,682 | 67,187 | 74,779 | 63,583 |
| Subtotal | \$243,784 | \$228,210 | \$248,069 | \$374,349 | \$500,943 |
| Total valuations | \$500,055 | \$498,116 | \$745,517 | \$899,071 | \$995,230 |
| Number of New Dwelling Units: | | | | | |
| Single-family | 5,823 | 5,700 | 9,318 | 8,446 | 6,999 |
| Multi-family | 3,173 | 2,254 | 3,833 | 4,481 | 3,021 |
| Total units | 8,996 | 7,954 | 13,151 | 12,927 | 10,020 |

Source: County Planning Department, City Building Departments and *California Construction Trends*, Security Pacific National Bank.

Agriculture

Although population growth, industrialization and urbanization have caused a decline of agricultural

activities and farm employment in the county, farm production has remained surprisingly high. During the past five years the gross value of agricultural

SANTA CLARA COUNTY

Agricultural Production

| Crop | 1974 | 1975 | 1976 | 1977 | 1978 |
|--|--------------|---------------|--------------|---------------|---------------|
| Fruits, Nuts, Berries | \$21,286,600 | \$ 18,995,500 | \$15,569,800 | \$ 14,642,680 | \$ 12,834,800 |
| Vegetables | 26,379,800 | 30,818,700 | 27,718,800 | 36,048,900 | 35,445,000 |
| Livestock, Poultry and Products | 16,250,200 | 17,122,400 | 18,603,250 | 16,205,900 | 17,169,400 |
| Field Crops, Apiary | 3,092,100 | 4,411,500 | 2,796,100 | 2,345,800 | 2,875,400 |
| Nursery Products | 29,418,000 | 31,746,700 | 32,659,500 | 32,035,200 | 38,354,200 |
| Totals | \$96,426,700 | \$103,094,800 | \$97,347,450 | \$101,278,480 | \$106,678,800 |

Source: County Department of Agriculture.

production has averaged over \$100 million annually. Nursery stock and cut flower production has increased in recent years, offsetting the steady drop in production of fruits and nuts. The cultivation of vegetables has also shown considerable strength in recent years. Mushrooms and tomatoes are important crops. A summary of agricultural values for Santa Clara County since 1974 is shown on page 51.

Foreign Trade Zone

San Jose Foreign Trade Zone No. 18 is located in the 375-acre International Business Park near San Jose Municipal Airport. Foreign and domestic merchandise may be moved into the zone for storage, exhibition, repackaging, manufacture, or other processing without payment of Federal duties or excise taxes until the goods leave the zone. There is no time limit on storage of goods and components. Construction in the zone began in 1975 with two buildings totaling 132,000 square feet. It is estimated the Park will provide employment for 6,000 at full development.

Utility Services

Electrical and gas service throughout the county is provided by Pacific Gas & Electric Co. Pacific Telephone Co. serves most of the county, with Western California Telephone Co. serving the Morgan Hill and Los Gatos areas. Water service is generally provided by private companies.

Community Facilities and Recreation

Four daily newspapers are published in the county: the Palo Alto Times, San Jose Mercury, San Jose News, and San Jose Post-Record. There are eight weekly newspapers and four bi-weekly newspapers in various communities. San Francisco and Oakland periodicals are available in the county on a daily basis. In San Jose are thirteen radio stations and three TV stations, including a Public Broadcasting System outlet.

The County Library System serves unincorporated areas and the incorporated cities of Los Altos, Los Altos Hills, Cupertino, Saratoga, Campbell, Monte Sereno, Milpitas, Morgan Hill, and Gilroy. The cities of Los Gatos, Mountain View, Palo Alto, San Jose, Santa Clara, and Sunnyvale maintain municipal libraries.

The San Jose Symphony Orchestra traces its roots back over a century. It has been accorded national recognition as a Metropolitan Orchestra by the American Symphony Orchestra League. Also adding to the cultural life of the county is the San Jose Museum of Art.

The San Jose Center for the Performing Arts forms the hub of a growing cultural development movement in the county. The modernistic structure, seating 2,700 people, is considered one of the finest theatres in the country. Flint Center, located on the campus of De Anza College at Cupertino, hosts concerts by leading orchestras. Stanford University at Palo Alto presents performances by the world's foremost artists.

The San Jose Convention Center, located near the Performing Arts Center, seats a total of 7,600 and has 292 exhibit booths. The recently completed exhibit hall has substantially increased the capacity of the facility for conventions.

Municipal Stadium in San Jose, occupying a 23-acre downtown site, features the San Jose Missions baseball team. Spartan Stadium seats 18,300 for San Jose State University games and the San Jose Earthquakes professional soccer team. Stanford Stadium at Palo Alto seats 90,000 for major college sports, and has been the scene of international track meets.

The county maintains various park and recreational facilities, including the Villa Montalvo Arboretum in Saratoga, Palo Alto Yacht Harbor, Alviso Marina, and the Santa Clara County Fairgrounds in San Jose. There are two state parks in the county.

Visitor attractions in Santa Clara County include the Winchester Mystery House, Frontier Village, and Rosicrucian Egyptian Museum and Planetarium, all in San Jose, and the 65-acre Marriott's Great America, a family amusement center in Santa Clara. Lick Observatory on Mount Hamilton attracts many visitors. There are 23 18-hole golf courses and 13 9-hole courses in the county.

Sailing and power boat enthusiasts make use of the many marinas and docking facilities in San Francisco Bay and the resorts along the Pacific shoreline. Those who enjoy hiking or camping find outlets in the Santa Cruz Mountains, southwest of San Jose. The beaches at Santa Cruz and adjacent areas are less than an hour's drive for most county residents. Deep-sea fishing parties are scheduled regularly year-round from Santa Cruz and Half Moon Bay.

Proposed Form of Legal Opinion of Orrick, Herrington,
Rowley & Sutcliffe, San Francisco, California.

Santa Clara County - El
Camino Hospital District
Hospital Facilities Authority
Santa Clara County, California

Santa Clara County - El Camino Hospital District
Hospital Facilities Authority Lease Revenue Bonds,
1979 El Camino Hospital Project

(Final Opinion)

Dear Sirs:

We hereby certify that we have examined the certified record of proceedings submitted to us relative to the issuance of \$5,400,000 principal amount of lease revenue bonds of Santa Clara County - El Camino Hospital District Hospital Facilities Authority, a public entity and agency organized and existing under the laws of the State of California (herein called the "Authority"). The bonds are designated the "Santa Clara County - El Camino Hospital District Hospital Facilities Authority Lease Revenue Bonds, 1979 El Camino Hospital Project" (herein called the "Bonds"), and are issued under and subject to the provisions of Articles 1 and 2 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California and pursuant to the provisions of a resolution (herein called the "Resolution") adopted by the Authority on July 5, 1979.

The Bonds are authorized to be issued in coupon form in the denomination of \$5,000 each or in fully registered form in the denomination of \$5,000 or any multiple thereof not exceeding the aggregate principal amount of Bonds maturing in any one year. Coupon Bonds and fully registered Bonds are interchangeable at the principal office of United California Bank, the trustee of the Authority, in San Francisco, California, upon the terms and conditions set forth in the Resolution. The Bonds are dated August 1, 1979. The coupon Bonds are numbered, and the Bonds mature on February 1 in the years and amounts and bear interest (payable on August 1, 1980 and semiannually thereafter on February 1 and August 1 in each year) at the rates, as follows:

| <u>Coupon Bond Numbers (inclusive)</u> | <u>Maturity Date February 1</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|--|-------------------------------------|-----------------------------|--------------------------|
| 1 - 17 | 1982 | \$ 85,000 | |
| 18 - 35 | 1983 | 90,000 | |
| 36 - 55 | 1984 | 100,000 | |
| 56 - 76 | 1985 | 105,000 | |
| 77 - 98 | 1986 | 110,000 | |
| 99 - 122 | 1987 | 120,000 | |
| 123 - 148 | 1988 | 130,000 | |
| 149 - 175 | 1989 | 135,000 | |
| 176 - 204 | 1990 | 145,000 | |
| 205 - 235 | 1991 | 155,000 | |
| 236 - 269 | 1992 | 170,000 | |
| 270 - 305 | 1993 | 180,000 | |
| 306 - 343 | 1994 | 190,000 | |
| 344 - 384 | 1995 | 205,000 | |
| 385 - 428 | 1996 | 220,000 | |
| 429 - 475 | 1997 | 235,000 | |
| 476 - 525 | 1998 | 250,000 | |
| 526 - 579 | 1999 | 270,000 | |
| 580 - 637 | 2000 | 290,000 | |
| 638 - 699 | 2001 | 310,000 | |
| 700 - 765 | 2002 | 330,000 | |
| 766 - 836 | 2003 | 355,000 | |
| 837 - 912 | 2004 | 380,000 | |
| 913 - 993 | 2005 | 405,000 | |
| 994 - 1080 | 2006 | 435,000 | |

Both the principal of and interest on the Bonds are payable in lawful money of the United States of America at the principal office of United California Bank, in San Francisco, California. Such principal and interest, in the case of coupon Bonds, are also payable, at the option of the holder, at the principal office of Manufacturers Hanover Trust Company in New York, New York, and at the office of The Northern Trust Company of Chicago in Chicago, Illinois.

The Bonds are subject to redemption prior to their respective stated maturities, as provided in the Resolution, from proceeds of insurance or eminent domain proceedings. Bonds maturing on or before February 1, 1994 are not otherwise subject to redemption prior to their respective stated

maturities. Bonds maturing on or after February 1, 1995 are also subject to redemption prior to their respective stated maturities, at the option of the Authority, upon the terms stated in the Bonds and in the Resolution.

The Resolution authorizes the issuance of additional bonds, which will rank equally as to security with the Bonds, regardless of the time of their issuance, upon the terms and subject to the conditions set forth in the Resolution.

The Resolution and the rights and obligations of the Authority and the holders and registered owners of the Bonds may be modified or amended in the manner and subject to the restrictions and limitations contained in the Resolution.

In our opinion, such proceedings show lawful authority for the issuance of the Bonds under the laws of the State of California now in force, and the Bonds have been authorized and constitute valid, legal and binding special obligations of the Authority, payable in accordance with their terms from revenues of the Authority, as provided in the Resolution.

We are further of the opinion that:

1. The Authority is a duly organized and existing public entity and agency under the laws of the State of California, created pursuant to an agreement for joint exercise of powers between the El Camino Hospital District, Santa Clara County, California (herein called the "District"), and the County of Santa Clara, California.

2. The Resolution has been duly and legally authorized and adopted and is a valid, legal and binding resolution of the Authority.

3. The lease from the District to the Authority, dated as of August 1, 1979 and designated "Site Lease (1979 El Camino Hospital Project)", and the lease from the Authority to the District, dated as of August 1, 1979 and designated "Facility Lease (1979 El Camino Hospital Project)", have been duly authorized, executed and delivered and have been duly recorded and constitute legal, valid and binding instruments. The obligation of the District to pay each year's rentals during the term of the Facility Lease (1979 El Camino Hospital

Project) will be valid and enforceable in accordance with the terms of the Facility Lease (1979 El Camino Hospital Project), subject to the limitations on legal remedies against local hospital districts in the State of California. The rentals payable by the District to the Authority under the terms of the Facility Lease (1979 El Camino Hospital Project) constitute the primary source of funds of the Authority for the payment of the Bonds and such rentals are payable only from funds of the District legally available therefor.

4. Interest upon the Bonds is exempt from present federal income taxes and from present State of California personal income taxes under existing statutes, regulations and court decisions, and the Bonds are exempt from all present California taxes except inheritance, gift, estate and franchise taxes.

5. In connection with the opinions expressed herein, the rights under the Bonds, the Resolution, the Site Lease (1979 El Camino Hospital Project) and the Facility Lease (1979 El Camino Hospital Project) are subject to laws relating to bankruptcy or insolvency or other laws affecting creditor's rights.

We remain, dear sirs,

Faithfully yours,

ORRICK, HERRINGTON, ROWLEY & SUTCLIFFE

per

C. G. UHLENBERG & Co.
CERTIFIED PUBLIC ACCOUNTANTS
3001 S. WINCHESTER BLVD., SUITE 10
CAMPBELL, CALIFORNIA 95008

APPENDIX B

(408) 374-4830

August 28, 1978

El Camino Hospital District
Mountain View, California

We have examined the financial statements of El Camino Hospital District as of June 30, 1978 and present the following:

Exhibit:

- A - Balance Sheet, June 30, 1978
- B - Statement of Changes in Fund Balances
for the Year Ended June 30, 1978
- C - Statement of Revenues and Expenses
for the Year Ended June 30, 1978
- D - Statement of Changes in Financial
Position for the Year Ended June 30,
1978

Notes to Financial Statements

Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of El Camino Hospital District at June 30, 1978 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in asset lives as described in Note 8 to the financial statements.

C. G. Uhlenberg & Co.
Certified Public Accountants

EL CAMINO HOSPITAL DISTRICT

BALANCE SHEET, JUNE 30, 1978

- - - A S S E T S - - -

CONSOLIDATED

CURRENT ASSETS:

| | |
|---|------------|
| Cash | \$ 378,074 |
| Federal agency and other investments (At cost) | 1,337,414 |
| Accounts receivable - Net after allowance for uncollectible accounts of \$515,156 (Note 2) | 5,546,972 |
| Grant receivable - Federal | 296,923 |
| Inventory of materials and supplies (Note 1) | 846,065 |
| Accrued interest receivable | 5,924 |
| Prepaid expense | 35,743 |
| Due from Specific Purpose Fund | |

| | |
|----------------------|------------------|
| Total Current Assets | <u>8,447,115</u> |
|----------------------|------------------|

PLANT, PROPERTY AND EQUIPMENT: (Note 1)

| | |
|--|------------------|
| Land and land improvements - Net after allowance for depreciation on land improvements of \$168,753 | 1,876,127 |
| Building and fixtures - Net after allowance for depreciation of \$5,116,635 | 17,006,446 |
| Machinery and equipment - Net after allowance for depreciation of \$2,148,822 | 5,801,047 |
| Construction in progress | <u>4,037,754</u> |

| | |
|---|-------------------|
| Total Plant, Property and Equipment - Net Depreciated Cost | <u>28,721,374</u> |
|---|-------------------|

OTHER ASSETS:

| | |
|---|---------------|
| Cash and investments - Board-designated for fixed asset replacement (At cost) (Note 3) | 8,328,265 |
| Interest receivable on board-designated investments (Note 3) | <u>76,760</u> |

| | |
|--------------------|------------------|
| Total Other Assets | <u>8,405,025</u> |
|--------------------|------------------|

| | |
|-------|----------------------------|
| TOTAL | <u><u>\$45,573,514</u></u> |
|-------|----------------------------|

The accompanying notes are an integral part of these financial statements.

EXHIBIT A

| ELIMINATIONS | UNRESTRICTED FUND |RESTRICTED FUNDS..... | |
|--------------|----------------------|----------------------------|---------------------------------|
| | | SPECIFIC PURPOSE | BOND INTEREST AND REDEMPTION |
| | \$ 192,968 | \$ 133,842 | \$ 51,264 |
| | 1,030,000 | 307,414 | |
| | 5,546,972 | | |
| | 846,065 | 296,923 | |
| | 990 | 4,934 | |
| | 35,743 | | |
| \$ 80,219 | 80,219 | | |
| 80,219 | 7,732,957 | 743,113 | 51,264 |
| | 1,876,127 | | |
| | 17,006,446 | | |
| | 5,801,047 | | |
| | 4,037,754 | | |
| | 28,721,374 | | |
| | 8,328,265 | | |
| | 76,760 | | |
| | 8,405,025 | | |
| \$ 80,219 | \$44,859,356 | \$ 743,113 | \$ 51,264 |

EL CAMINO HOSPITAL DISTRICT

BALANCE SHEET, JUNE 30, 1978

- - - L I A B I L I T I E S - - -

CONSOLIDATED

CURRENT LIABILITIES:

| | |
|---|------------|
| Accounts payable | \$ 738,995 |
| Accrued salaries and wages | 250,477 |
| Accrued paid time off | 1,133,835 |
| Accrued payroll deductions and payroll taxes | 907,328 |
| Accrued professional fees | 104,620 |
| Other accrued liabilities | 851,256 |
| Current portion of long-term liabilities (See below) | 628,068 |
| Due to Unrestricted Fund | |

Total Current Liabilities

4,614,579

LONG-TERM LIABILITIES: (Note 4)

| | |
|--|------------------|
| Bonded debt - General obligation bonds | 1,740,000 |
| Lease contracts payable | <u>2,098,168</u> |

Total

3,838,168

Less - Portion due within one year (See above)

628,068

Total Long-Term Liabilities

3,210,100

FUND BALANCE, PER EXHIBIT B

37,748,835

TOTAL

\$45,573,514

The accompanying notes are an integral part of these financial statements.

EXHIBIT A

| ELIMINATIONS | UNRESTRICTED FUND |RESTRICTED FUNDS..... | |
|--------------|----------------------|----------------------------|---------------------------------|
| | | SPECIFIC PURPOSE | BOND INTEREST AND REDEMPTION |
| | \$ 738,995 | | |
| | 250,477 | | |
| | 1,133,835 | | |
| | 907,328 | | |
| | 104,620 | | |
| | 851,256 | | |
| | 628,068 | | |
| \$ 80,219 | | \$ 80,219 | |
| 80,219 | 4,614,579 | 80,219 | |
| | 1,740,000 | | |
| | 2,098,168 | | |
| | 3,838,168 | | |
| | 628,068 | | |
| | 3,210,100 | | |
| | 37,034,677 | 662,894 | 51,264 |
| \$ 80,219 | \$44,859,356 | \$ 743,113 | \$ 51,264 |

EL CAMINO HOSPITAL DISTRICT

STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1978

| | CONSOLIDATED |
|---|----------------------------|
| BALANCE, JULY 1, 1977 | <u>\$30,912,938</u> |
| ADDITIONS: | |
| Excess of revenues over expenses, per Exhibit C | 6,538,339 |
| Specific Purpose Fund transfers included in net income | (206,252) |
| Interest earned on Specific Purpose Fund | 26,169 |
| Gifts from El Camino Hospital Auxiliary | 83,814 |
| Other restricted gifts, grants and receipts | 393,827 |
| FUNDS TRANSFERRED IN: | |
| Cash transfers for equipment acquisition | |
| Cash transfers from Bond Interest and Redemption Fund | |
| Cash transfers for bond and interest payments | |
| | <hr/> |
| Total Additions and Funds Transferred In | <u>6,835,897</u> |
| BEGINNING BALANCE, PLUS ADDITIONS AND FUND TRANSFERS | <u>37,748,835</u> |
| FUNDS TRANSFERRED OUT: | |
| Cash transfers for operating expense | |
| Cash transfers to pay principal and interest on bonds | |
| Cash transfers for equipment acquisition | |
| Cash transfers to Bond Interest and Redemption Fund | |
| | <hr/> |
| Total Funds Transferred Out | <hr/> |
| BALANCE, JUNE 30, 1978 | <u><u>\$37,748,835</u></u> |

The accompanying notes are an integral part of these financial statements.

EXHIBIT B

| ELIMINATIONS | UNRESTRICTED FUND |RESTRICTED FUNDS..... | |
|--------------|----------------------|----------------------------|---------------------------------|
| | | SPECIFIC PURPOSE | BOND INTEREST AND REDEMPTION |
| | \$30,251,022 | \$ 575,491 | \$ 86,425 |
| | 6,538,339 | | |
| \$ 206,252 | | 26,169 | |
| | | 83,814 | |
| | | 393,827 | |
| 210,155 | 210,155 | | |
| 1,084,329 | 1,084,329 | | |
| 1,049,168 | | | 1,049,168 |
| 2,549,904 | 7,832,823 | 503,810 | 1,049,168 |
| 2,549,904 | 38,083,845 | 1,079,301 | 1,135,593 |
| 206,252 | | 206,252 | |
| 1,084,329 | | | 1,084,329 |
| 210,155 | | 210,155 | |
| 1,049,168 | 1,049,168 | | |
| 2,549,904 | 1,049,168 | 416,407 | 1,084,329 |
| \$ - | \$37,034,677 | \$ 662,894 | \$ 51,264 |

EL CAMINO HOSPITAL DISTRICT

STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 1978

OPERATING REVENUE:

Patient revenue:

| | |
|-------------------------|---------------|
| Daily hospital services | \$18,057,543 |
| Ancillary services: | |
| In-patient | 14,071,091 |
| Out-patient | 5,619,657 |
| Other | <u>61,782</u> |

Gross Patient Revenue \$37,810,073

Deductions from patient revenue:

| | |
|--------------------------------------|----------------|
| Contractual allowances (Note 5) | 1,273,115 |
| Provision for uncollectible accounts | <u>541,491</u> |

Total Deductions from
Patient Revenue 1,814,606

Net Patient Revenue \$35,995,467

OTHER OPERATING REVENUE:

| | |
|---------------------------------------|---------------|
| Food sales | 281,624 |
| Employee housing | 27,643 |
| Miscellaneous | 283,716 |
| Cost adjustments and minor recoveries | <u>96,645</u> |

Total Other Operating Revenue 689,628

Total Operating Revenue 36,685,095

OPERATING EXPENSE:

| | |
|--------------------------------|------------------|
| Salaries and wages | 15,993,272 |
| Employee benefits (Note 6) | 5,084,836 |
| Fees for professional services | 2,048,489 |
| Supplies | 6,207,193 |
| Purchased services | 2,104,009 |
| Utilities | 819,917 |
| Other fees and services | 1,191,677 |
| Depreciation | <u>1,056,891</u> |

Total Operating Expense 34,506,284

NET REVENUE FROM OPERATIONS (Total Forward) 2,178,811

The accompanying notes are an integral part of these financial statements.

EXHIBIT C

EL CAMINO HOSPITAL DISTRICT

STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 1978

| | | |
|---|-----------------|---------------------|
| NET REVENUE FROM OPERATIONS | (Total Forward) | \$ 2,178,811 |
| NON-OPERATING REVENUE (EXPENSE): | | |
| Taxes assessed and collected (Note 7) | \$ 3,371,783 | |
| Interest earned | 523,067 | |
| Other non-operating revenue | 12,068 | |
| Other non-operating expense | <u>(98,664)</u> | |
| Total Non-Operating Revenue | | <u>3,808,254</u> |
| EXCESS OF REVENUES OVER EXPENSES BEFORE CUMULATIVE EFFECT OF PRIOR YEARS' CHANGES | | 5,987,065 |
| CUMULATIVE EFFECT ON PRIOR YEARS - Change in asset lives (Note 8) | | <u>551,274</u> |
| EXCESS OF REVENUES OVER EXPENSES | | <u>\$ 6,538,339</u> |

The accompanying notes are an integral part of these financial statements.

EXHIBIT C

EL CAMINO HOSPITAL DISTRICT

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1978

CONSOLIDATED

FUNDS PROVIDED:

Operations:

| | |
|---|------------------|
| Excess of revenues over expenses, per Exhibit C | \$ 6,538,339 |
| Less: | |
| Specific Purpose Fund transfers included in net income | (206,252) |
| Cumulative effect of prior period adjustment | (551,274) |
| Add - Depreciation expense, which does not require an outlay of working capital | <u>1,056,891</u> |
| Total From Operations | 6,837,704 |

| | |
|--|------------------|
| Funds transferred in | |
| Dispositions - Net of accumulated depreciation | 65,429 |
| Restricted gifts, grants and receipts | 477,641 |
| Interest earned on Specific Purpose Fund | 26,169 |
| Decrease in non-current prepaid expense | <u>313,023</u> |
| Total Funds Provided | <u>7,719,966</u> |

FUNDS APPLIED:

| | |
|--------------------------------------|------------------|
| Funds transferred out | |
| Decrease in long-term liabilities | 726,223 |
| Building and fixture additions | 340,398 |
| Purchase of machinery and equipment | 879,112 |
| Increase in board-designated funds | 1,846,055 |
| Increase in construction in progress | <u>2,789,206</u> |
| Total Funds Applied | <u>6,580,994</u> |

| | |
|--|---------------------|
| INCREASE (DECREASE) IN WORKING CAPITAL | <u>\$ 1,138,972</u> |
|--|---------------------|

The accompanying notes are an integral part of these financial statements.

EXHIBIT D

| ELIMINATIONS | UNRESTRICTED FUND |RESTRICTED FUNDS..... | |
|--------------|--|----------------------------|---------------------------------|
| | | SPECIFIC PURPOSE | BOND INTEREST AND REDEMPTION |
| | \$ 6,538,339 | | |
| \$ 206,252 | (551,274) | | |
| | 1,056,891 | | |
| 206,252 | 7,043,956 | | |
| 2,343,652 | 1,294,484 65,429 | | \$1,049,168 |
| | 313,023 | \$ 477,641 26,169 | |
| 2,549,904 | 8,716,892 | 503,810 | 1,049,168 |
| 2,549,904 | 1,049,168 726,223 340,398 879,112 1,846,055 2,789,206 | 416,407 | 1,084,329 |
| 2,549,904 | 7,630,162 | 416,407 | 1,084,329 |
| \$ - | \$ 1,086,730 | \$ 87,403 | \$ (35,161) |

EL CAMINO HOSPITAL DISTRICT

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1978

CONSOLIDATED

THE INCREASE IN WORKING CAPITAL IS ACCOUNTED FOR
AS FOLLOWS:

Increase (Decrease) in current assets:

| | |
|---|--------------|
| Cash | \$ (238,536) |
| Federal agency and other investments | 830,740 |
| Accounts receivable - Net after allowance for uncollectible accounts | 1,209,008 |
| Grant receivable - Federal | 105,162 |
| Inventory of materials and supplies | (46,324) |
| Accrued interest receivable | 3,169 |
| Prepaid expense | (143,479) |
| Due from Specific Purpose Fund | |

Decrease (Increase) in current liabilities:

| | |
|--|-----------|
| Accounts payable | (93,190) |
| Accrued salaries and wages | (57,120) |
| Accrued paid time off | (427,804) |
| Accrued payroll deductions and payroll taxes | (198,281) |
| Accrued professional fees | (2,827) |
| Other accrued liabilities | (615,347) |
| Current portion of long-term liabilities | 813,801 |
| Due to Unrestricted Fund | |

INCREASE IN WORKING CAPITAL

\$ 1,138,972

The accompanying notes are an integral part of these financial statements.

EXHIBIT D

| ELIMINATIONS | UNRESTRICTED FUND |RESTRICTED FUNDS..... | |
|--------------|----------------------|----------------------------|---------------------------------|
| | | SPECIFIC PURPOSE | BOND INTEREST AND REDEMPTION |
| | \$ (144,090) | \$ (59,285) | \$ (35,161) |
| | 740,000 | 90,740 | |
| | 1,209,008 | | |
| | (46,324) | 105,162 | |
| | 85 | 3,084 | |
| | (143,479) | | |
| \$ (52,298) | 52,298 | | |
| | (93,190) | | |
| | (57,120) | | |
| | (427,804) | | |
| | (198,281) | | |
| | (2,827) | | |
| | (615,347) | | |
| | 813,801 | | |
| 52,298 | | (52,298) | |
| \$ - | \$ 1,086,730 | \$ 87,403 | \$ (35,161) |

EL CAMINO HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Fund Accounting - The District accounting is done on a fund-accounting basis. Each fund consists of a self-balancing set of accounts.
- B. Accounting Method - Assets, liabilities, revenues and expenses are recorded under the accrual method of accounting.
- C. Inventory Valuation - Inventory is stated at the lower of cost or market, determined by the first-in, first-out method.
- D. Depreciation Method - Depreciation charged to operations is computed using the straight-line method applied to composite groupings of assets and to specific assets. This method is also used in determining reimbursable costs under the federal Medicare and California Medi-Cal programs. The estimated useful lives of the assets are as follows:

| | |
|-------------------------|---------------|
| Land improvements | 15 years |
| Buildings and fixtures | 26 - 40 years |
| Machinery and equipment | 5 - 20 years |

2. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Revenues received under the federal Medicare and California Medi-Cal programs are subject to audit and retroactive adjustment. During the fiscal year 1977-78, approximately \$14,000,000 has been received from these agencies. The \$515,156 allowance for uncollectible accounts at June 30, 1978 does not include a provision for Medicare or Medi-Cal retroactive adjustments.

3. BOARD-DESIGNATED ASSETS

Of total unrestricted assets of \$44,859,356, \$8,405,025 has been designated by the Board for building expansion and equipment replacement. Although these assets may be expended in the current year, they are shown as other assets because they have been appropriated by the Board of Directors.

4. LONG-TERM LIABILITIES

| | Due Within One Year | | Long-Term Portion | Total |
|--|------------------------|------------------|----------------------|--------------------|
| | <u>Interest</u> | <u>Principal</u> | <u>Principal</u> | <u>Principal</u> |
| Lease contracts payable: | | | | |
| Bank of America - Secured by medical equipment, payable at \$24,347 per month including interest | \$ 69,716 | \$222,448 | \$ 950,898 | \$1,173,346 |
| Bank of America - Secured by medical equipment, payable at \$1,861 per month including interest | 5,603 | 16,729 | 67,290 | 84,019 |
| United California Bank - Secured by medical equip- ment, payable at \$2,410 per quarter including interest | 345 | 2,065 | | 2,065 |
| United California Bank - Secured by medical equip- ment, payable at \$14,958 per quarter including interest | 17,795 | 42,037 | 237,419 | 279,456 |
| Nat-Lea, Incorporated - Secured by medical equip- ment, payable at \$5,242 per month including interest | 16,696 | 46,208 | 261,086 | 307,294 |
| Nat-Lea, Incorporated - Secured by medical equip- ment, payable at \$3,967 per month including interest | 14,023 | 33,581 | 218,407 | 251,988 |
| Total | <u>\$124,178</u> | <u>363,068</u> | <u>1,735,100</u> | <u>2,098,168</u> |
| Bonded debt - General obligation bonds - Maturity date, April 15, issue of 1964, Series A and B not redeemable, final maturity April 15, 1985 | | 265,000 | 1,475,000 | 1,740,000 |
| Total Long-Term Liabilities | | <u>\$628,068</u> | <u>\$3,210,100</u> | <u>\$3,838,168</u> |

Prior to July 1, 1975, "amounts to be provided by taxation for bond retirement and payment of interest coupons" and "bonded interest coupons - interest to maturity", were presented on the balance sheet as a non-current asset and a non-current liability respectively. Although these accounts are no longer presented on the balance sheet, future taxes will provide the \$1,905,845 necessary to pay interest coupons to maturity and retire the District's general obligation bonds.

Interest was paid on coupons of the 1958 bond issue which became due on August 1, 1977 and February 1, 1978. On the 1964 issue, interest became due on October 15, 1977 and April 15, 1978.

Bonds of the 1958 bond issue in the face amount of \$780,000 matured February 1, 1978 and of the 1964 bond issue in the face amount of \$215,000 matured April 15, 1978. Payment for redemption was made at the respective maturity dates. Interest rates on these bonds ranged from 3.2% to 4.1%. As of April 1, 1978, funds had been provided to retire the entire 1958 bond issue.

During the fiscal year 1977-78, the District's assessed valuation was \$1,078,702,101, compared to \$931,698,113 for the preceding fiscal year. The bonding capacity of the District is limited to 10% of the assessed valuation as of June 30, 1978.

5. CONTRACTUAL ALLOWANCES

The 1977-78 contractual allowances of \$1,273,115 represent the amounts withheld on claims paid under the Medicare and Medi-Cal programs during the fiscal year ended June 30, 1978.

6. EMPLOYEE BENEFITS

The District has a pension plan which covers substantially all of its employees. The total pension expense for the fiscal year ended June 30, 1978 was \$449,975 which is included in the \$5,084,836 total of employee benefits. The pension expense represents current service costs which have been actuarially computed. Prior service costs were funded in the year of inception of the retirement plan.

7. TAXES ASSESSED AND COLLECTED

Taxes collected from all levies amount to \$3,371,783 during the current fiscal year and is summarized as follows:

Source of Taxes:

Current year:

| | |
|-----------|----------------|
| Secured | \$2,568,892 |
| Unsecured | <u>444,184</u> |

\$3,013,076

Prior year:

| | |
|-----------|--------------|
| Secured | 29,359 |
| Unsecured | <u>9,326</u> |

38,685

State subvention:

| | |
|--------------------------------|----------------|
| Business inventories exemption | 176,601 |
| Homeowner's exemption | <u>143,421</u> |

320,022

Total

\$3,371,783

Allocation of Taxes:

| | |
|------------------------------|-------------|
| Bond interest and redemption | \$1,043,523 |
|------------------------------|-------------|

| | |
|---|------------------|
| Plant and equipment expansion and replacement | <u>2,328,260</u> |
|---|------------------|

Total

\$3,371,783

8. CHANGE IN ASSET LIVES

During the fiscal year under review, the Hospital completed its change to the composite method of depreciation for all machinery and equipment purchased prior to July 1, 1977. This change was effected to comply with requirements of the federal Medicare and California Medi-Cal programs.

EXPLANATORY COMMENTS

The following comments supplement and explain certain items in the preceding financial statements and, unless otherwise indicated, were audited by us.

HISTORY AND ORGANIZATION

El Camino Hospital District was formed by vote of the people of the District at an election held October 20, 1956 in accordance with provisions of the Health and Safety Code of the State of California. The District's boundaries, which total an area of approximately 48 square miles, include the cities of Los Altos, Mountain View, Los Altos Hills and a major portion of Sunnyvale.

On June 11, 1957 the District held an election for authorization to issue and sell general obligation bonds in the amount of \$7,300,000 which measure was approved by a considerable margin. This issue was retired in 1978.

During the month of March 1958, the District purchased land containing approximately 20 acres to be used as the hospital site. Construction of the hospital building, a four-story structure with a capacity of 307 beds and 60 bassinets, began during the month of March 1959 and the hospital was opened for patient care on September 1, 1961.

At an election held November 26, 1963, additional general obligation bonds in the amount of \$4,500,000 were authorized and subsequently sold, principally for the construction of two additional floors and necessary fixtures and equipment which was completed by June 30, 1967. The hospital's capacity is now 464 beds.

During the fiscal year 1966-67, the District purchased approximately, 9-1/4 acres of additional land and during the year 1967-68, a parcel of approximately 13 acres was purchased. Both parcels are contiguous to the existing hospital site and both were purchased from existing funds without incurring additional bonded debt.

During the fiscal year ended June 30, 1970, a residence for nurses consisting of 16 apartments was constructed. Funds used to complete this project came primarily from donations received from citizens of the District with the balance from existing funds.

During the period 1974-76, the District completed additional facilities to house expanded X-ray, emergency room, radio-therapy and medical records facilities. This construction was financed from existing funds without incurring additional bonded indebtedness.

OPERATIONS - EXHIBIT C

As a supplement to the statement of revenues and expenses (Exhibit C), the following schedules are presented. Schedule A compares the current year revenues and expenses with those of the preceeding year; Schedule B compares the current year's revenues and expenses with the budget amounts.

SCHEDULE A

| |June 30, 1978.... | Percentage of Gross Patient Revenue |June 30, 1977.... | Percentage of Gross Patient Revenue | Increase (Decrease) |
|--|-----------------------|--|-----------------------|--|------------------------|
| | <u>Amount</u> | | <u>Amount</u> | | |
| Gross patient revenue | \$37,810,073 | 100.00 | \$31,941,654 | 100.00 | \$5,868,419 |
| Less - Contractual allowances and provision for uncollectible accounts | <u>1,814,606</u> | <u>4.80</u> | <u>1,640,689</u> | <u>5.14</u> | <u>173,917</u> |
| Net Patient Revenue | 35,995,467 | 95.20 | 30,300,965 | 94.86 | 5,694,502 |
| Other operating revenue | <u>689,628</u> | <u>1.82</u> | <u>564,268</u> | <u>1.77</u> | <u>125,360</u> |
| Total Operating Revenue | 36,685,095 | 97.02 | 30,865,233 | 96.63 | 5,819,862 |
| Less - Operating expense | <u>34,506,284</u> | <u>91.26</u> | <u>30,283,185</u> | <u>94.81</u> | <u>4,223,099</u> |
| Net Revenue from Operations | <u>\$ 2,178,811</u> | <u>5.76</u> | <u>\$ 582,048</u> | <u>1.82</u> | <u>\$1,596,763</u> |

SCHEDULE B

| | June 30, 1978 <u>Actual</u> | <u>Budget</u> | Actual Over (Under) <u>Budget</u> |
|---|--------------------------------|---------------------|---|
| Gross patient revenue | \$37,810,073 | \$36,577,800 | \$1,232,273 |
| Less - Contractual allowance and provision for uncollectible accounts | <u>1,814,606</u> | <u>1,938,600</u> | <u>(123,994)</u> |
| Net Patient Revenue | 35,995,467 | 34,639,200 | 1,356,267 |
| Other operation revenue | <u>689,628</u> | <u>654,300</u> | <u>35,328</u> |
| Total Operating Revenue | 36,685,095 | 35,293,500 | 1,391,595 |
| Less - Operating expense | <u>34,506,284</u> | <u>33,920,802</u> | <u>585,482</u> |
| Net Revenue (Loss) from Operations | <u>\$ 2,178,811</u> | <u>\$ 1,372,698</u> | <u>\$ 806,113</u> |

Gross Patient Revenue

The increase in gross patient revenue of \$5,868,419 is primarily due to rate increases during the fiscal year ended June 30, 1978 and additional patient services rendered.

Contractual Allowances

The \$173,917 increase in contractual allowances reflects expanded participation in the federal Medicare and California Medi-Cal programs.

Operating Expense

The increase in operating expense was primarily caused by a 6% increase in salaries and wages, as well as additions to staff. Other increases resulted from payment of higher unit costs for materials and services provided by the Hospital's suppliers.

CASH - \$378,074

Unrestricted Fund:

| | |
|--------------------------------|--------------|
| Cash on hand | \$ 2,062 |
| Bank of America: | |
| Operating account - Commercial | 10,068 |
| BankAmericard account | 399 |
| Patient refund account | 11,613 |
| United California Bank: | |
| Clearing account - Commercial | 163,642 |
| Master Charge account | 581 |
| Payroll account - Commercial | <u>4,603</u> |

\$192,968

Restricted Funds:

| | |
|-----------------------------|---------------|
| United California Bank: | |
| Education - Commercial | 5,118 |
| Employee trust - Commercial | 3,922 |
| Crocker National Bank: | |
| Gift- Savings | 112,908 |
| Kidney - Savings | <u>11,894</u> |

133,842

Bond Interest and Redemption Fund -
Treasury, County of Santa Clara

51,264

Total

\$378,074

FEDERAL AGENCY AND OTHER INVESTMENTS - \$1,337,414

The District follows a policy of investing excess funds in instruments providing the highest yield in accordance with legal restrictions. Investments consist primarily of federal agency investments which have interest rates ranging from 6.9% to 7.85%

ACCOUNTS RECEIVABLE NET AFTER ALLOWANCE
FOR UNCOLLECTIBLE ACCOUNTS OF \$515,156 - \$5,546,972

Accounts receivable were analyzed according to date of last charge and are shown in the following summary:

| | |
|---|---------------------------|
| Current charges (month of June) | \$3,688,743 |
| 31 to 60 days overdue | 1,072,958 |
| 61 to 90 days overdue | 471,235 |
| 91 to 120 days overdue | 245,019 |
| 121 days or more overdue | <u>515,851</u> |
| Total Patient Accounts Receivable | 5,993,806 |
| Non-patient accounts receivable: | |
| Due from El Camino Hospital Auxiliary | 6,019 |
| Other miscellaneous accounts receivable | <u>62,303</u> |
| Total Accounts Receivable | 6,062,128 |
| Less - Allowance for uncollectible accounts | <u>515,156</u> |
| Accounts Receivable - Net | <u><u>\$5,546,972</u></u> |

During the fiscal year 1977-78, the provision for uncollectible accounts averaged approximately 1.5% of operating revenue and amounted to \$541,491. It is believed that the allowance for uncollectible accounts of \$515,156 at June 30, 1978 will be sufficient to cover future collection losses on the account balances. A summary of the reserve account transactions is as follows:

| | |
|---|-------------------|
| Reserve Balance, July 1, 1977 | \$ 427,799 |
| Add: | |
| 1977-78 provision for bad debts | 541,491 |
| Accounts collected, previously written off | <u>417,292</u> |
| Total | 1,386,582 |
| Less - Accounts written off as uncollectible | <u>871,426</u> |
| Reserve Balance, June 30, 1978 | <u>\$ 515,156</u> |

During the current year the District assigned accounts of \$871,426 to a collection service. The service was successful in recovering \$417,292 during the same period which resulted in a net collection loss of \$454,134 for the year.

INVENTORY OF MATERIALS AND SUPPLIES - \$846,065

A comparison of inventories at June 30, 1978 and June 30, 1977 is as follows:

| | June 30, <u>1978</u> | June 30, <u>1977</u> | Increase (Decrease) |
|----------------------------------|-------------------------|-------------------------|------------------------|
| General stores | \$265,667 | \$341,843 | \$(76,176) |
| Linens | 224,161 | 189,720 | 34,441 |
| AKU durable medical equipment | 198,309 | 202,000 | (3,691) |
| Pharmacy | <u>157,928</u> | <u>158,826</u> | <u>(898)</u> |
| Total | <u>\$846,065</u> | <u>\$892,389</u> | <u>\$(46,324)</u> |

PREPAID EXPENSES - \$35,743

The following is a summary of prepaid expenses as of June 30, 1978:

| | |
|-----------|------------------|
| Insurance | \$ 27,029 |
| Other | <u>8,714</u> |
| Total | <u>\$ 35,743</u> |

The prepaid expense of \$27,029 as of June 30, 1978 represents expenditures for insurance premiums which will be applied during the year 1978-79.

Insurance coverage includes liability protection for bodily injury and property damage, both auto and general liability, as well as professional liability insurance. Fire and extended coverage insurance is currently carried on buildings and their contents in the amount of \$44,147,700. Although the net asset value (cost less depreciation) is shown as \$28,721,374, the insurance coverage is set at an amount which more closely reflects estimated replacement values.

The District has policies providing coverage against the destruction of detail accounts receivable records in the amount of \$7,400,000 and coverage for loss due to boiler explosion amount to \$4,000,000.

The District also carried a compensation insurance policy with the State Compensation Insurance Fund and a public employees' honesty blanket bond covering all employees of the District with a maximum coverage of \$100,000 each.

ACCRUED INTEREST RECEIVABLE - \$5,924

The accrued interest receivable balance of \$5,924 at June 30, 1978 represents the interest due the District at June 30, 1978 on federal agency and other investments made with donor-restricted and unrestricted funds.

PLANT, PROPERTY AND EQUIPMENT - \$28,721,374

An analysis of plant, property and equipment during the year under review is as follows:

| | <u>Land and Land Improvements</u> | <u>Building and Fixtures</u> | <u>Machinery and Equipment</u> | <u>Total</u> |
|--|---|--------------------------------------|--|---------------------|
| Total cost, July 1, 1977 | \$2,043,224 | \$21,784,339 | \$7,832,277 | \$31,659,840 |
| Adjustment (Note 8) | | | 138,438 | 138,438 |
| 1977-78 additions | 1,656 | 338,742 | 879,112 | 1,219,510 |
| | 2,044,880 | 22,123,081 | 8,849,827 | 33,017,788 |
| 1977-78 dispositions (Note 10) | | | 899,958 | 899,958 |
| Total cost, June 30, 1978 | 2,044,880 | 22,123,081 | 7,949,869 | 32,117,830 |
| Less - Allowance for depreciation to date | 168,753 | 5,116,635 | 2,148,822 | 7,434,210 |
| Total | <u>\$1,876,127</u> | <u>\$17,006,446</u> | <u>\$5,801,047</u> | 24,683,620 |
| Add - Construction in progress | | | | <u>4,037,754</u> |
| Balance, June 30, 1978 | | | | <u>\$28,721,374</u> |

Construction in progress at June 30, 1978 represented projects to expand the operating room and the food service department.

Construction projects that were completed during the 1977-1978 fiscal year include the following:

1. Installation of cardiovascular and radio-graphic equipment in the radiology department.
2. Renovation and expansion of the dialysis department.
3. Conversion of one of the nurses' residence buildings into a dialysis home-training unit and maintenance area for dialysis department equipment.
4. Renovation of the sixth floor-west medical/surgical department.
5. Expansion of medical information system (MIS) service area and the bio-medical laboratory.
6. Renovation of the nursing education office.

CASH AND INVESTMENTS - BOARD-DESIGNATED
FOR FIXED ASSET ACQUISITIONS - AT COST - \$8,328,265

The District invested some of its board-designated assets in federal agency investments which have interest rates ranging from 5.0% to 7.75%. Cash accounts are also maintained. The following is an analysis of cash and investments:

| | |
|-------------------------------|--------------------|
| Plant, Property and Equipment | |
| Replacement Account: | |
| Bank of America - Commercial | \$ 281,539 |
| Bank of America and United | |
| California Bank - Savings | 29,242 |
| Investments | 6,903,797 |
| Construction Account: | |
| Bank of America - Commerical | 13,687 |
| Investments | <u>1,100,000</u> |
| Total | <u>\$8,328,265</u> |

INTEREST RECEIVABLE
ON BOARD-DESIGNATED INVESTMENTS - \$76,760

The interest receivable balance of \$76,760 represents interest due at June 30, 1978 on federal agency and other investments made with funds designated by the Board of Directors for building expansion and equipment replacement.

CURRENT LIABILITIES - \$4,614,579

Accounts payable in the amount of \$738,995 consists of amounts due trade creditors.

Accrued salaries and wages amounted to \$250,477 and were due employees for the six-day period ended June 30, 1978. The accumulated payroll taxes and voluntary deductions for insurance and savings programs was \$907,328 at June 30, 1978. The accrued salaries and wages were paid during July 1978.

Reserve for employee paid time off of \$1,133,835 applies to future payment of vacations and sick leave earned prior to June 30, 1978.

Other accrued liabilities of \$851,256 include the following:

| | |
|---|------------------|
| Blue Cross advances | \$ 79,000 |
| Liability insurance | 51,455 |
| Contract retentions payable | 125,414 |
| Construction contracts payable | 428,116 |
| Patient accounts receivable credit balances | 110,449 |
| Auxiliary deposits | 17,939 |
| Miscellaneous accrued liabilities | <u>38,883</u> |
| Total | <u>\$854,256</u> |

LONG-TERM LIABILITIES - \$3,210,100

Note 4 of the financial statements provides a detailed explanation of the District's long-term liabilities.

CONSOLIDATED FUND BALANCES - \$37,748,835

Fund balances represent the excess of assets over liabilities of the District. This figure also represents the excess of revenues over expenditures of the District from its inception to June 30, 1978.

The Unrestricted Fund includes all assets and liabilities not restricted by donors or outside parties. This fund is subdivided into assets which have been designated by the Board of Directors for specific projects or functions and assets which have not been designated for such purposes.

The restricted funds include all contributions, gifts or income restricted by the donor or grantor. The District maintains a Specific Purpose Fund for all restricted gifts and contributions and a Bond Interest and Redemption Fund to account for funds on deposit with the county for the redemption of bonds.

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OFFICIAL NOTICE OF SALE

\$5,400,000

Santa Clara County-El Camino Hospital District Hospital Facilities Authority Lease Revenue Bonds 1979 El Camino Hospital Project

NOTICE IS HEREBY GIVEN that sealed proposals will be received by the governing board (herein called the "Board") of the Santa Clara County-El Camino Hospital District Hospital Facilities Authority (herein called the "Authority") at the Conference Room, Stone & Youngberg Municipal Financing Consultants, Inc., Suite 2750, 1 California Street, San Francisco, California on

Wednesday, August 1, 1979

at 10:00 A.M. California time for the purchase of \$5,400,000 principal amount of bonds of the Authority designated the "Santa Clara County-El Camino Hospital District Hospital Facilities Authority Lease Revenue Bonds, 1979 El Camino Hospital Project" (herein called the "bonds"), to be issued under a resolution of the Board adopted July 5, 1979 (herein called the "Resolution") and pursuant to Articles 1 and 2 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California. The bonds are more particularly described in the Resolution (which is incorporated herein by reference) and copies thereof will be furnished to any interested bidder upon request. The bonds are generally described as follows:

ISSUE: \$5,400,000, consisting of 1,080 coupon bonds in the denomination of \$5,000 each (or fully registered bonds in denominations of \$5,000 or authorized multiples thereof), all dated August 1, 1979, and comprising all of the bonds of said authorized issue. Additional bonds may be issued on a parity with the bonds on the terms and subject to the conditions set forth in the Resolution.

INTEREST RATE: The maximum coupon rate bid may not exceed eight per cent (8%) per annum. Interest is payable on August 1, 1980 and semiannually thereafter on February 1 and August 1 of each year. Bidders must specify the rate or rates of interest which the bonds hereby offered for sale shall bear. Bidders will be permitted to bid different rates of interest; but (i) the maximum differential between the highest and lowest coupon rates specified in any bid shall not exceed two per cent per annum; (ii) each interest rate specified in any bid must be in a multiple of one-twentieth of one per cent per annum and a zero rate of interest cannot be specified; (iii) no bond shall bear more than one rate of interest, no interest payment shall be evidenced by more than one coupon and supplemental coupons will not be permitted; (iv) each bond shall bear interest from its date to its stated maturity date at the interest rate specified in the bid; (v) all bonds maturing at any one time shall bear the same rate of interest; and (vi) any premium must be paid as part of the purchase price, and no bid will be accepted which contemplates the cancellation of any interest coupons, or the waiver of any interest or other concession by the bidder as a substitute for payment in full of the purchase price.

MATURITY: The bonds will mature serially on February 1 in each of the years, and in the amounts, as follows:

| <i>Maturity Date</i> | <i>Principal Amount</i> | <i>Maturity Date</i> | <i>Principal Amount</i> | <i>Maturity Date</i> | <i>Principal Amount</i> |
|--------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|
| February 1 | | February 1 | | February 1 | |
| 1982..... | \$ 85,000 | 1990..... | \$145,000 | 1999..... | \$270,000 |
| 1983..... | 90,000 | 1991..... | 155,000 | 2000..... | 290,000 |
| 1984..... | 100,000 | 1992..... | 170,000 | 2001..... | 310,000 |
| 1985..... | 105,000 | 1993..... | 180,000 | 2002..... | 330,000 |
| 1986..... | 110,000 | 1994..... | 190,000 | 2003..... | 355,000 |
| 1987..... | 120,000 | 1995..... | 205,000 | 2004..... | 380,000 |
| 1988..... | 130,000 | 1996..... | 220,000 | 2005..... | 405,000 |
| 1989..... | 135,000 | 1997..... | 235,000 | 2006..... | 435,000 |
| | | 1998..... | 250,000 | | |

REDEMPTION: The Authority shall have the right, under the circumstances prescribed in the Resolution, to redeem bonds from proceeds of insurance or proceeds of eminent domain proceedings, upon the terms and conditions set forth in the Resolution, at the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium. Bonds maturing on or before February 1, 1994 are not otherwise subject to redemption prior to their respective maturity dates. Bonds maturing on or after February 1, 1995 are also subject to redemption prior to their respective maturity dates, at the option of the Authority, as a whole, or in part in inverse order of maturities and by lot within any such maturity if less than all of the bonds of such maturity be redeemed, from any source of available funds, on any interest payment date on or after February 1, 1990, at the principal amount thereof and accrued interest thereon to the date of redemption, plus a premium of one-fourth of one percent ($\frac{1}{4}$ of 1%) of such principal amount for each whole year or fraction thereof remaining between the date fixed for redemption and their respective stated maturities, except that such premium shall not exceed three per cent (3%) of such principal amount.

PAYMENT: Both principal and interest are payable in lawful money of the United States of America at the principal office of the Trustee of the Authority, United California Bank, in San Francisco, California, or, in the case of coupon bonds, at the option of the holder, at the principal office of Manufacturers Hanover Trust Company, in New York, New York, or at the office of The Northern Trust Company, in Chicago, Illinois.

REGISTRATION: The bonds may be issued in coupon form or in fully registered form, and will be interchangeable upon the terms set forth in the Resolution.

PURPOSE: The bonds are to be issued to finance the construction of a hospital building to house artificial kidney unit facilities, administrative facilities and storage facilities at the El Camino Hospital of the El Camino Hospital District (herein called the "District"), Santa Clara County, California, for lease to the District.

SECURITY: The bonds (together with any additional bonds issued under and subject to the conditions of the Resolution) will be revenue bonds secured by a first and exclusive pledge of the Revenues (as defined in the Resolution and including rental payments) to be made to the Authority by the District under a facility lease to be entered into from the Authority to the District). Bidders are referred to the Resolution and to the official statement for further particulars.

TAX EXEMPT STATUS: In the event that prior to the delivery of the bonds (a) the income received by private holders from bonds of the same type and character shall be declared to be taxable (either at the time of such declaration or at any

STONE & YOUNGBERG

MUNICIPAL FINANCING CONSULTANTS, INC.

SUITE 2750 • ONE CALIFORNIA STREET
SAN FRANCISCO, CALIFORNIA 94111 • (415) 989-2300

1541 WILSHIRE BOULEVARD, LOS ANGELES, CALIFORNIA 90017 • (213) 483-1643

COPIES OF THE ENCLOSED OFFICIAL STATEMENT HAVE BEEN SENT TO
INVESTMENT OFFICERS OF THE FOLLOWING INSTITUTIONS:

| | |
|---|---|
| Acacia Mutual Life Insurance Company | Emmco Insurance Company |
| Aetna Life Insurance Company | Empire Mutual Insurance Company |
| Allendale Mutual Insurance Company | Employers Casualty Company |
| Allstate Insurance Company | Employers Group Associates |
| American Agricultural Mutual Insurance | Employers Mutual Liability Insurance Company of Wisconsin |
| American Employees Insurance Company | Employees Reinsurance Corporation |
| American Express Company | Equitable Life Assurance Society |
| American Family Insurance Group | Equitable Life Insurance Company of Iowa |
| American General Life Insurance Company | Farm Bureau Mutual Insurance Company |
| American Mutual Life Insurance Company | Farmers Insurance Group |
| American National Insurance Company | Farmers New World Life Insurance Company |
| American Re-Insurance Company | Fidelity & Deposit Insurance Company |
| American Republic Insurance Company | Fidelity Mutual Life Insurance Company |
| American States Insurance Company | Fidelity-Phoenix Insurance Company |
| Arkwright-Boston Manufacturers Mutual Insurance Company | First Catholic Slovak Union of the United States of America |
| Atlantic Mutual Insurance Company | Foremost Insurance Company |
| Automobile Club of Southern California | Franklin Life Insurance Company |
| Bankers Life & Casualty Company | General Accident Fire & Life Assurance Corporation, Ltd. |
| Bankers Life Company | General American Life Insurance Company |
| Bankers Life Insurance Company of Nebraska | General Insurance Company of America |
| Bankers National Life Insurance Company | General Reinsurance Corporation |
| Beneficial Life Insurance Company | Georgia International Life Insurance Company |
| Beneficial Standard Life Insurance Company | Government Employees Insurance Company |
| Boston Mutual Life Insurance Company | Great American Insurance Company |
| Business Men's Assurance Company of America | Great-West Life Assurance Company |
| Cal-Farm Insurance Company | Greater New York Mutual Insurance Company |
| California State Automobile Association | Guardian Life Insurance Company of America |
| California-Western States Life Insurance Company | Gulf Life Insurance Company |
| Cambridge Mutual Fire Insurance Company | John Hancock Mutual Life Insurance Company |
| Canada Life Assurance Company | The Hanover Group |
| Central Life Assurance Company | Hanover Insurance Company |
| Central National Insurance Company of Omaha | Hardward Mutual Casualty Company |
| Chicago Title & Trust Company | Hartford Accident & Indemnity Company |
| Chubb & Son, Inc. | Hartford Steam Boiler Inspection & Insurance Company |
| CNA Insurance Corporation | Highlands Insurance Company |
| Coastal State Life Insurance Company | Home Insurance Company |
| Colonial Penn Group | Homesteaders Life Company |
| Columbus Mutual Life Insurance Company | Imperial Life Assurance Company of Canada |
| Combined Insurance Company of America | Indiana Insurance Company |
| Connecticut General Life Insurance Company | Insurance Company of North America |
| Connecticut Mutual Life Insurance Company | Interstate Life & Accident Insurance Company |
| Continental Casualty Company | Jefferson Standard Life Insurance Company |
| Continental Insurance Company | Kansas City Life Insurance Company |
| Country Life Insurance Company | Kemper Insurance Group |
| Detroit Automobile Inter-Insurance Exchange | Keystone Insurance Company |
| Dodge & Cox | |

(OVER)

Liberty Mutual Insurance Company
 Life Insurance Company of Georgia
 Life Insurance Company of Virginia
 Lincoln National Life Insurance Company
 Loomis, Sayles & Co., Inc.
 Lutheran Mutual Life Insurance Company
 Manhattan Life Insurance Company
 Metropolitan Life Insurance Company
 MFA Mutual Insurance Company
 MGIC Indemnity Corporation
 Minnesota Mutual Life Insurance Company
 Monarch Life Insurance Company
 Monumental Life Insurance Company
 Mortgage Guaranty Insurance Corporation
 Motors Insurance Corporation
 Mutual Benefit Life Insurance Company
 Mutual Life Insurance Company of New York
 Mutual of Omaha Insurance Company
 Mutual Service Casualty Insurance Company
 Mutual Trust Life Insurance Company
 National Automobile & Casualty Insurance Company
 National Farmers Union Life Insurance Company
 National Life & Accident Insurance Company
 National Life Insurance Company
 National Old Line Insurance Company
 Nationwide Life Insurance Company
 New England Mutual Life Insurance Company
 New York Life Insurance Company
 NN Corporation
 North American Life Assurance Company
 North Carolina Mutual Life Insurance Company
 The Northern Assurance Company of America
 Northwestern Mutual Insurance Company
 Northwestern Mutual Life Insurance Company
 Northwestern National Insurance Company
 Northwestern National Life Insurance Company
 Nuveen Bond Fund
 Occidental Life Insurance Company of California
 Ohio Life Insurance Company
 Ohio State Life Insurance Company
 Old American Insurance Company
 Pacific Mutual Life Insurance Company
 Pan American Life Insurance Company
 Peninsular Life Insurance Company
 Penn Mutual Life Insurance Company
 Pennsylvania National Mutual Insurance Company
 Peoples Life Insurance Company
 Philadelphia Investment Company
 Philadelphia Life Insurance Company
 Philadelphia Re-Insurance Company
 Phoenix Mutual Life Insurance Company
 Pilot Life Insurance Company
 Polish National Alliance of the U.S. of N.A.
 Preferred Risk Mutual Insurance Company
 Protective Life Insurance Company
 Provident Life & Accident Insurance Company
 Provident Mutual Life Insurance Company of Philadelphia
 Prudential Insurance Company of America

Reinsurance Corporation of New York
 Reliance Insurance Company
 Republic Insurance Company
 Reserve Insurance Company
 Reserve Life Insurance Company
 Rural Security Life Insurance Company
 Safeco Insurance Company of America
 St. Paul Fire & Marine Insurance Company
 Scudder, Stevens & Clark - New York
 Scudder, Stevens & Clark - Boston
 Security Benefit Life Insurance Company
 Security Life & Accident Company
 Security Mutual Casualty Company
 Sentry Group
 Society for Savings
 Southern Farm Bureau Casualty Insurance Company
 Southern Life & Health Insurance Company
 Southland Life Insurance Company
 Southwestern Life Insurance Company
 Standard Insurance Company
 State Automobile Mutual Insurance Company
 State Farm Mutual Automobile Insurance Company
 State Mutual Life Assurance Company of America
 Stuyvesant Life Insurance Company
 Sun Life Assurance Company of Canada
 Swett & Crawford
 Swiss Re-Insurance Company
 Tennessee Life Insurance Company
 Title Insurance & Trust Company
 Transamerica Insurance Company
 Transamerica Investment Counselors, Inc.
 Transamerica Title Insurance Company
 Transport Insurance Company
 Travelers Insurance Company
 Unigard Olympic Life Insurance Company
 Union Life Insurance Company
 United Benefit Life Insurance Company
 United Insurance Company of America
 United National Life Insurance Society
 United States Fidelity & Guaranty Company
 Utah Home Fire Insurance Company
 Volunteer State Life Insurance Company
 Washington National Insurance Company
 West Coast Life Insurance Company
 Western Fire Insurance Company
 Western & Southern Life Insurance Company
 Woodmen Accident & Life Company
 Woodmen of the World
 Woodmen of the World Life Insurance Society

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